



Annual Report and Financial Statements
Year ended 31 July 2019

Fareham College

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Reference and Administrative Details

Board of Governors

A full list of Governors is given on page 12-13 of these financial statements.

Georgina Flood Clerk to the Corporation.

Key Management Personnel

Key management personnel were represented by the following in 2018/19:

Nigel Duncan	Principal and CEO; Accounting Officer (to 4/19)
Andrew Kaye	Deputy Principal (to 4/19) then Principal and CEO; Accounting Officer
Mike Lewis	Assistant Principal Finance, Funding and Resources (to 5/19)
Angie Hinton	Assistant Principal People and Organisational Development
Leah Palmer	Assistant Principal Study Programmes
Louise Davis	Assistant Principal Students & Improvement
Lesley Roberts	Managing Director Business & Partnerships

Principal and Registered Office

Bishopsfield Road
Fareham
Hampshire
PO14 1NH

Professional Advisers

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

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

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

Solicitors:
Glanvilles
West Wing
Cams Hall
Fareham
PO16 8AB

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 2019.

Legal status

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

Our intent:

Delivering excellence in technical and professional further and higher education.

Our culture:

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

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

Our corporate priorities:

Our strategic intent is driven by our corporate priorities, which are to:

- ensure financial efficiency to secure sustainability and future investment;
- deliver inspiring teaching, learning and assessment;
- provide excellent customer service and student support;
- consistently set a culture of high expectations;
- be accountable for students' progress and employers' future success.

RESOURCES

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

Financial

The College has £10.320m of net assets at 31 July 2019 (2018 £11.824m) and long term debt of £3.11m (2018: £3.275m).

People

The College employs 274 people which equates to 224 full time equivalents (2018: 219 fte), of whom 95 (114 headcount) are teaching staff (2018: 98).

Fareham College

Reputation

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

Implementation of strategic plan

In July 2019 the College adopted a strategic plan for the period 2019 to 2022. The Corporation monitors the performance of the College against this plan and the plan is reviewed and updated each year.

To realise our strategic intent of delivering excellence in technical and professional education and training we have identified six strategic drivers we will work to.

Our future is determined by our success in delivering the aims, ambitions and targets in these strategic drivers.

Our customers: Our students, apprentices and employers are our customers. We will provide them with outstanding education, training and support at all times, which will enable them to achieve outstanding results. As a result, our reputation and our business will thrive.

Our people: Our people are qualified and confident professionals who are passionate about learning, ambitious and act as ambassadors for the College. They are fundamental to achieving our strategic intent. We will support them and invest in them, so our college will continue to deliver excellence.

Our stakeholders: Our funders, regulators, employers and community are our stakeholders. They drive our success, endorse our capabilities, inform our services and validate our curriculum. They will be encouraged to contribute to the overall success of the College through partnerships that are mutually beneficial.

Our services: The services we provide include teaching, training, assessment and provision of facilities. Through our services, 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.

Our systems: Our systems underpin all the work we do in the college, in the workplace and in the community. We will continue to develop our management, learning and support systems to improve the experience and efficiency of our operations.

Our resources: We have outstanding facilities, equipment and resources in the large majority of curriculum areas. Through comprehensive property and IT strategies, we will continue to invest in our learning environments to enhance the student experience, and to support the development of our provision.

Financial objectives

The College's financial objectives are that we:

- Implement an annual financial plan that will maintain a robust financial position for the College for the next two years and beyond in order to generate funds for future investment;
- Identify new and grow existing markets, particularly apprenticeships, and 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;
- Have an affordable capital investment strategy that is sufficient to ensure that facilities, infrastructure and learning technologies are of a high quality and relevant to meet the requirements of the curriculum as it develops;
- Maintain strong controls and checks on our finances and have systems in place to ensure the most efficient use of the funds we have available.

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

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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 an "Outstanding" financial health grading.

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

- Learner success rates
- Learner destinations
- Satisfaction survey - learners
- Satisfaction survey - employers
- Satisfaction survey - parents
- Financial performance
- Capital project progress

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

Stakeholders

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

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

DEVELOPMENT AND PERFORMANCE

Financial results

The College generated a surplus before other gains and losses in the year of £426k (2017/18: deficit of £539k), with total comprehensive income deficit of £1.505m (2017/18: surplus of £0.821m).

The total comprehensive income in 2018/19 is stated after accounting for actuarial losses in respect of pension schemes.

Developments

Tangible fixed asset additions for equipment purchased during the year amounted to £296k (2018: £324k). A new £4m building was under construction during 2018/19 (completed October 2019) and £2.8m of construction costs were incurred during the year.

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Reserves

The College has accumulated reserves of £10.32m and cash balances of £2.34m as at 31st July 2019 (2018: accumulated reserve £11.824m and cash balances £1.907m).

Sources of Income

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the ESFA provided 75% of the College total income (2018: 77%).

FUTURE PROSPECTS

Developments

During 2018/19 a new £4m Civil Engineering Training Centre has been in construction at its Lee-on-the-Solent campus. This exciting new facility was opened in October 2019. The investment in its buildings & facilities continues with preparation for the new T Levels offer and a £0.9m building refurbishment project is under way in preparation for the start of T Levels in the 2020/21 academic year.

Financial plan

The College governors approved a three-year financial plan in June 2019 which sets objectives for the period to 2021.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows and liquidity

A net increase of £3.367m in net cash flow from operating activities (2017/18 Increase £216k).

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

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of any organisation, and ensures adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £5.963m (2017/18: £7.283m). 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.

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

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

Risk	Mitigation
Deterioration in young people's mental health could lead to a serious incident.	A newly formed structure has meant a new team has been implemented to support the management of students with mental health concerns
Affordability of competitive rates of pay causes issues relating to recruitment which adversely affects student experience and quality of outcomes.	A pay award is planned for 2019/20. A revised middle management structure has been implemented to improve progression.
Rapid apprenticeship growth and increase FT numbers, with associated lagged funding, leads to pressure on pay budgets, recruitment, and quality.	Managers working with HR to ensure both support and teaching staff roles are advertised and interviewed swiftly.
Serious IT infrastructure failure causing total or partial system disruption leading to down time for students and staff (particularly disruptive during exam times)	Contract in place with local IT support provider . Full IT Services team now in place and 1st line support knowledge has been strengthened
Serious IT security failure causing security breach - Cyber Security	Head of Technical Services has taken control of all external interfaces. Ability to lockdown systems has been enhanced.

KEY PERFORMANCE INDICATORS

KPI	18/19 Actual	Target
Student numbers		
• Full Time Study Programmes	1,415	1,500
• Apprenticeships	1,030	1,000
• Higher Education	215	200
• Total inc. PT	3,530	3,600
Student achievement		
• 16-18	88%	90%
• Adults	92%	90%
• Apprenticeships	73%	75%
Ofsted Rating	Outstanding	Outstanding
ESFA Financial Health	Outstanding	Good
Turnover	£15.4m	£16m
Surplus / (deficit)	£426k	£(32k)
Cash days	68	60
Bank Covenants		
Debt Service cover	4.6:1	1.5:1
Interest	9.3:1	2:1
Net Assets (Exc pension liability)	£16.5m	£10m
Staff Satisfaction (via survey)		
Management style	76%	67%
Communication	73%	70%
Stakeholders	68%	65%
College	83%	76%
Me	79%	75%

Student achievements

- The timely success rate of all classroom learning enrolments is 87.9%, up from 85.9% in the previous academic year and up from 87% achieved the year preceding. Outcomes for 16-18 year olds are 85% (2017/18: 85%) and outcomes for adults are 92.2% compared to 88.1% in 2017/18.
- The achievement rates for level 2 (85.5%) and level 3 (92.8%) qualifications for 16-18 year olds are outstanding, both are substantially above national averages.
- Timely success rates for apprentices at 61.2% are above the national average for all ages / all levels. The overall achievement measure has improved to 72.8% from 70% in 2017/18 and is above national averages.
- GCSE maths 9-4 rate for 16-18 year olds is 16.5%, higher than 2017/18 of 14.3% but the percentage of students who improved to a grade 4 from a grade 3 is 23.4%, which is in line with national rates.

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- GCSE English 9-4 rate for 16-18 year olds is 22.3%, slightly higher than 2017/18 of 22% the percentage of students who improved to a grade 4 from a grade 3 is 22.2 %, which is below national rates.

In the College self-assessment report for 2018/19 outcomes for learners will be reported as good. The achievement rates of the core study programme qualifications are outstanding at Levels 2 and 3.

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 2018/19 makes a judgement that the overall effectiveness of the College is good, this is largely due to a decline in the achievement rates of the apprenticeship provision, Maths and English achievements which both need 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 pages 12-13. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to 3,530 students. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers and provides training to 1,030 apprentices. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

Equality

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 all 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.

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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
- 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 2018 to 31 July 2019, the College paid 88 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
1	0.13

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

Total cost of facility time	£5,987
Total pay bill	£6,522,677
Percentage of total bill spent on facility time	0.09%

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.

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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 11th December 2019 and signed on its behalf by:

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

Russell Kew
Chair

Date: 11/12/19

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2018 to 31st July 2019 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")
- Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector

We have not adopted and therefore do not apply to the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice. In carrying out its responsibilities, the College 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 College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

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

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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.

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 Resigned	Status of appointment	Committees served	Attendance*
Ms Karen Allen	13.12.17	3 years (1 st term)		Support Staff Member	Finance & Resources Committee	8 of possible 9 = 89%
Mr K Briscoe	02.04.14 Reappointed: 05.04.17	3 years (2 nd term)		Independent Member	Teaching, Students, Curriculum & Quality Committee. Elected as Vice-Chair on 27.03.19	10 of possible 12 = 83%
Miss E Champion	02.07.14 Reappointed: 28.06.17	3 years (2 nd term)		Independent Member	Teaching, Students, Curriculum & Quality Committee	2 of possible 2 = 100%
Mr N Duncan	05.10.10	n/a	18.04.19	Principal & Chief Executive	During the year, as Principal he was <i>ex-officio</i> member of all committees except Audit.	6 of possible 6 = 100%
Mr P Grimwood	27.06.12 Reappointed 27.06.18	3 years (3 rd term)	30.06.19	Independent Member	Finance & Resources Committee. Elected as Vice-Chair of Corporation 05.04.17. Ceased to be Vice-Chair on 27.03.19	6 of possible 9 = 67%
Mr J Hilliker	12.12.18	3 years (1 st term)	18.4.19	Student Governor	Teaching, Students, Curriculum & Quality Committee	0 of possible 2 = 0%
Mr A Kaye	27.03.19	n/a		Principal & Chief Executive	As Principal he is <i>ex-officio</i> member of all committees except Audit.	5 of possible 5 = 100%

Date of Appointment	Term of office	Date Resigned	Status of appointment	Committees served	Attendance*	
Mr R Kew	08.12.10 Reappointed 07.12.16	3 years (3 rd term)		Independent Member	Finance & Resources. Elected Chair of Corp 12.12.12.	11 of possible 14 = 79%
Mr M Mansergh	02.04.14 Reappointed: 05.04.17	3 years (2 nd term)		Independent Member	Finance & Resources Committee.	6 of possible 12 = 50%
Mr P Marchbank	28.06.17	3 years (1 st term)		Independent Member	Teaching, Students, Curriculum & Quality Committee.	5 of possible 9 = 56%
Mr A Ramsay	29.06.16	3 years (1 st term)	22.05.19	Independent Member	Teaching, Students, Curriculum & Quality. Elected as Chair of TSC&Q Committee May 2017.	4 of possible 9 = 44%
Ms T Richardson	26.06.19	3 years (1 st term)		Teaching Staff Governor	Teaching, Students, Curriculum & Quality Committee	1 of possible 1 = 100%
Mr C Seaton	13.12.17	3 years (1 st term)	22.02.19	Teaching Staff Member	Teaching, Students, Curriculum & Quality Committee	6 of possible 8 = 75%
Mr A Spires	09.12.15 Reappointed 12.12.18	3 years (2 nd term)		Independent Member	Audit Committee. Elected Chair of Audit March 2016	4 of possible 10 = 40%
Dr C Thomas	10.12.14 Reappointed 13.12.17	3 years (2 nd term)		Independent Member	Audit Committee	11 of possible 13 = 85%
Mrs P Tilt	27.06.12 Reappointed 12.12.18	3 years (3 rd term)		Independent Member	Teaching, Students, Curriculum & Quality Committee	7 of possible 9 = 78%
Ms K Woods	02.04.14 Reappointed: 05.04.17	3 years (2 nd term)		Independent Member	Finance & Resources Committee.	7 of possible 9 = 78%
Ms J Eayrs acted as Clerk to the Corporation from 1 st August 2018 to 12 th July 2019 Mrs G Flood acted as Clerk to the Corporation from 15 th July 2019 to 31 st July 2019						

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 26 June 2019.

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.

In March 2019 the College adopted the Association of College's Senior Staff Remuneration Code.

Details of remuneration for the year ended 31 July 2019 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.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum

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between Fareham College and the funding body. 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 2019 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 2019 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.

Fareham College has an internal audit service, which operates in accordance with the requirements of the ESFA's *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

Fareham College

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 2019 meeting, the Corporation will carry out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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"*.

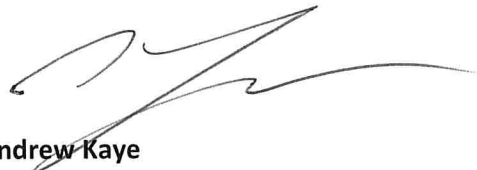
Going concern

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 11 December 2019 and signed on its behalf by:



Russell Kew
Chair



Andrew Kaye
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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



Andrew Kaye
Accounting Officer

Date: 11/12/19



Russell Kew
Chair of Governors

Date: 11/12/19

Fareham College

Statement of Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Strategic Review 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 11th December 2019 and signed on its behalf by:



Russell Kew
Chair of Governors
Date: 11/12/19

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 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is 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 2019 and of the College's surplus 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.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF FAREHAM COLLEGE (continued)

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 2018 to 2019 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 set out page 18 the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 2 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

Chartered Accountants

Tollgate,

Chandlers Ford,

Eastleigh,

Hampshire

SO53 3TY

Date:

Fareham College
Statement of Comprehensive Income and Expenditure
for the year ended 31 July 2019

	Notes	2019 £'000	2018 £'000
INCOME			
Funding body grants	2	12,333	11,680
Tuition fees and education contracts	3	2,015	1,778
Other grants and contracts	4	143	38
Other income	5	844	865
Endowment and investment income	6	9	6
Donations and Endowments	7	27	9
		<hr/>	<hr/>
Total income		15,371	14,376
EXPENDITURE			
Staff costs	8	8,372	8,295
Other operating expenses	9	4,917	4,947
Depreciation	12	1,379	1,428
Interest and other finance costs	10	280	249
		<hr/>	<hr/>
Total expenditure		14,948	14,919
		<hr/>	<hr/>
Surplus/(deficit) before other gains and losses		423	(543)
Profit/(Loss) on disposal of assets	12	3	4
		<hr/>	<hr/>
Surplus/(deficit) before tax		426	(539)
		<hr/>	<hr/>
Surplus/(deficit) for the year	11	426	(539)
Actuarial loss in respect of pensions schemes		(1,931)	1,360
		<hr/>	<hr/>
Total Comprehensive Income for the year		(1,505)	821
		<hr/>	<hr/>

Fareham College**Consolidated and College Statement of Changes in Reserves**

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1st August 2017	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)	-
	<hr/> 1,005	<hr/> (184)	<hr/> 821
Balance at 31st July 2018	7,283	4,541	11,824
Surplus/(deficit) from the income and expenditure account	426	-	426
Other comprehensive income	(1,931)	-	(1,931)
Transfers between revaluation and income and expenditure reserves	184	(184)	-
Total comprehensive income for the year	<hr/> (1,321)	<hr/> (184)	<hr/> (1,505)
Balance at 31st July 2019	<hr/> <hr/> 5,962	<hr/> <hr/> 4,357	<hr/> <hr/> 10,319

Fareham College
Balance sheet as at 31 July

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	12	31,538	29,785
		31,538	29,785
Current assets			
Trade and other receivables	13	829	811
Cash and cash equivalents	18	2,340	1,907
		3,169	2,718
Less: Creditors – amounts falling due within one year	14	(2,831)	(1,839)
Net current assets		338	879
Total assets less current liabilities		31,876	30,664
Less: Creditors – amounts falling due after more than one year	15	(14,760)	(14,171)
Provisions			
Defined benefit obligations	17	(6,224)	(4,124)
Other provisions	17	(572)	(545)
Total net assets		10,320	11,824
Unrestricted reserves			
Income and expenditure account		5,963	7,283
Revaluation reserve		4,357	4,541
Total unrestricted reserves		10,320	11,824

The financial statements on pages 22 to 45 were approved and authorised for issue by the Corporation on and were signed on 11th December 2019 its behalf on that date by:



Russell Kew
Chair



Andrew Kaye
Accounting Officer

Fareham College
Consolidated Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		426	(539)
Adjustment for non cash items			
Depreciation		1,379	1,428
(Increase)/decrease in debtors		(18)	(67)
Increase/(decrease) in creditors due within one year		676	(551)
Increase/(decrease) in creditors due after one year		513	(392)
Increase/(decrease) in provisions		27	(62)
Pensions costs less contributions payable		240	300
Adjustment for investing or financing activities			
Investment income		(27)	(9)
Interest receivable		(9)	(6)
Interest payable		163	118
Profit on sale of fixed assets		(3)	(4)
		<u>3,367</u>	<u>216</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from sale of fixed assets		3	4
Investment income		27	9
Interest receivable		9	6
Payments made to acquire fixed assets		(2,645)	(1,017)
		<u>(2,606)</u>	<u>(998)</u>
Cash flows from financing activities			
Interest paid		(163)	(118)
New loans		-	1,325
Repayments of amounts borrowed		(165)	(1,490)
		<u>(328)</u>	<u>(283)</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>433</u>	<u>(1,065)</u>
Cash and cash equivalents at beginning of the year	18	1,907	2,972
Cash and cash equivalents at end of the year	18	2,340	1,907

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 2018 to 2019 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 £3.275m 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 £2.3m 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.

Fareham College

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

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

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

Capital grant funding

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

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.

Fareham College

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.

Fareham College

Taxation

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

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

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives 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 2019. 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

	2019 £'000	2018 £'000
Recurrent grants		
Education and Skills Funding Agency - adult	1,040	1,039
Education and Skills Funding Agency – 16 -18	6,957	6,832
Education and Skills Funding Agency - apprenticeships	3,112	3,008
Office for Students	166	150
Specific Grants		
Releases of government capital grants	569	651
ESFA Grant	393	-
HE Grant	96	-
Total	12,333	11,680

3 Tuition fees and education contracts

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Adult education fees	365	345
Apprenticeship fees and contracts	596	664
Fees for FE loan supported courses	446	301
Fees for HE loan supported courses	171	87
International students fees	37	80
Total tuition fees	1,615	1,477
Education contracts	400	301
Total	2,015	1,778

4 Other grants and contracts

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
European Commission	-	38
Other grants and contracts	143	-
Total	143	38

Fareham College
Notes to the Accounts (continued)

5 Other income

	Year ended 2019 £'000	Year ended 2018 £'000
Catering and residences	321	351
Other income generating activities	174	174
Miscellaneous income	349	340
	<hr/>	<hr/>
Total	844	865

6 Investment income

	2019 £'000	2018 £'000
Other interest receivable	9	6
	<hr/>	<hr/>
	9	6
	<hr/>	<hr/>
	9	6

7 Donations

	2019 £'000	2018 £'000
Unrestricted donations	27	9

Fareham College
Notes to the Accounts (continued)

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:

	2019 No.	2018 No.
Teaching staff	95	98
Non teaching staff	129	121
	<u>224</u>	<u>219</u>
Staff costs for the above persons		
	2019 £'000	2018 £'000
Wages and salaries	6,525	6,496
Social security costs	597	596
Other pension costs	1,153	1,152
	<u>8,275</u>	<u>8,244</u>
Payroll sub total		
Contracted out staffing services	75	47
	<u>8,350</u>	<u>8,291</u>
Fundamental restructuring costs -		
contractual	22	4
non contractual	-	-
	<u>8,372</u>	<u>8,295</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal, Deputy Principal, Assistant Principal Finance, Funding & Resources, Assistant Principal Study Programmes, Assistant Principal Students & Improvement, Managing Director Business & Partnerships, Assistant Principal People & Organisational Development. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	7	7
	<u>7</u>	<u>7</u>

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

	Senior post-holders		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
Less/equal £40,000	-	-	1	-
£40,001 to £50,000	-	-	1	2
£50,001 to £60,000	-	-	2	2
£60,001 to £70,000	-	-	1	1
£70,001 to £80,000	-	1	-	-
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	1	-	-
£110,001 to £120,000	1	-	-	-
	<u>2</u>	<u>2</u>	<u>5</u>	<u>5</u>

Fareham College
Notes to the Accounts (continued)

8 Staff costs

Key management personnel compensation is made up as follows:

	2019	2018
	£'000	£'000
Salaries	439	443
Employers National Insurance	53	51
Benefits in kind	0	2
	<u>492</u>	<u>496</u>
Pension contributions	<u>68</u>	<u>65</u>
Total emoluments	<u>560</u>	<u>561</u>

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

The above compensation includes amounts payable to the Accounting Officer (2 persons due to retirement) of:

	Retiring Accounting Officer Aug 18 to July 19	Incoming Accounting Officer From April 2019	
	2019	2019	2018
	£'000	£'000	£'000
Salaries	115	27	104
Benefits in kind	0	0	2
	<u>115</u>	<u>27</u>	<u>106</u>
Pension contributions	<u>17</u>	<u>5</u>	<u>17</u>

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

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

	2019	2018
Principal's basic salary as a multiple of the median of all staff	3.7	3.6
Principal's total remuneration package as a multiple of the median of all staff	3.7	3.5

The members of the Corporation other than the Accounting Officer and the staff members 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

	2019	2018
	£'000	£'000
Teaching costs	2,307	2,731
Non teaching costs	1,237	1,004
Examination Costs	415	372
Premises costs	959	840
	<hr/>	<hr/>
Total	4,917	4,947
	<hr/>	<hr/>

Other operating expenses include:

	2019	2018
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	33	29
Internal audit	13	14
Hire of assets under operating leases	24	76
	<hr/>	<hr/>

10 Interest payable

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	163	118
	<hr/>	<hr/>
	163	118
Net interest on defined pension liability (note 23) & enhanced pension provision	117	131
	<hr/>	<hr/>
Total	280	249
	<hr/>	<hr/>

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	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2018	21,567	10,066	7,093	167	38,893
Additions	-	-	296	2,839	3,134
Disposals	-	-	(95)	-	(95)
At 31 July 2019	21,567	10,066	7,294	3,006	41,933
Depreciation					
At 1 August 2018	2,975	745	5,388	-	9,108
Charge for the year	445	186	747	-	1,379
Elimination in respect of disposals	-	-	(92)	-	(92)
At 31 July 2019	3,420	931	6,043	-	10,395
Net book value at 31 July 2019	18,147	9,135	1,250	3,006	31,538
Net book value at 31 July 2018	18,592	9,321	1,705	167	29,785

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

13 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	342	96
Prepayments and accrued income	135	278
Amounts owed by the ESFA	352	437
Total	829	811

Fareham College
Notes to the Accounts (continued)

14 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Bank loans and overdrafts	165	165
Trade payables	289	71
Payments received in advance	43	151
Other Creditors	168	154
Pension Creditor	124	-
Other taxation and social security	175	158
Accruals and deferred income	943	530
Deferred income - government capital grants	821	565
Amounts owed to the ESFA	103	45
Total	2,831	1,839

15 Creditors: amounts falling due after one year

	2019	2018
	£'000	£'000
Bank loans	3,110	3,275
Deferred income - government capital grants	11,650	10,896
Total	14,760	14,171

Fareham College

Notes to the Accounts (continued)

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2019 £'000	2018 £'000
In one year or less	165	165
Between one and two years	165	165
Between two and five years	496	496
In five years or more	2,449	2,614
Total	3,275	3,440

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

A Bank loan at 2.84 per cent repayable by instalments falling due between 4 August 2016 and 30 September 2030 totalling £600,000, is secured on a portion of the freehold land and buildings of the College.

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

17 Provisions	Defined benefit Obligation £'000	Restructuring £'000	Enhanced pensions £'000	Total £'000
At 1 August 2018	(4,124)	—	(545)	(4,669)
Change in period	(2,100)	-	(27)	(2,127)
At 31 July 2019	(6,224)	—	(572)	(6,796)

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

The principal assumptions for this calculation are:

	31 July 2018	31 July 2019
Price inflation	1.3%	2.2%
Interest rate	1.0%	2.0%

Fareham College
Notes to the Accounts (continued)

	At 1 August £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	1,907	433	-	2,340
Total	1,907	433	-	2,340

19 Capital commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	84	100

20 Lease Obligations

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

	2019 £'000	2018 £'000
Future minimum lease payments due		
Other (non land & buildings)		
Not later than one year	25	23
Later than one year and not later than five years	71	57
later than five years	2	19
Total lease payments due	98	99

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. Both are multi-employer defined-benefit plans.

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

Fareham College
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Total pension cost for the year	2019 £'000	2018 £'000
Teachers Pension Scheme: contributions paid	530	527
Local Government Pension Scheme:		
Contributions paid	480	450
FRS 102 (28) charge	130	160
Charge to the Statement of Comprehensive Income	610	610
Enhanced pension charge to Statement of Comprehensive Income	71	-
Total Pension Cost for Year	1,211	1,137

Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £858k (2018: £854k)

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 2019 was £610,000, of which employer's contributions totalled £480,000 and employees' contributions totalled £130,000. The proposed contribution rates for future years are 21.8% for employers plus a fixed amount of £75,000 from April 2020 increasing to £79,000 from April 2022 and range from 5.5% to 12.5% cent for employees, depending on salary.

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 2019	At 31 July 2018
Rate of increase in salaries	3.70%	3.60%
Future pensions increases	2.20%	2.10%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.20%	2.10%

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 2019 years	At 31 July 2018 years
<i>Retiring today</i>		
Males	23.10	24.10
Females	25.80	27.20
<i>Retiring in 20 years</i>		
Males	24.70	26.20
Females	27.60	29.40

Fareham College
Notes to the Accounts (continued)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2019	Fair Value at 31 July 2018
	£'000	£'000
Equities	7,327	7,218
Bonds -Government	2,507	2,622
Bonds - Corporate		125
Property	876	795
Cash	231	238
Other	1,229	352
Total market value of assets	12,170	11,350
Actual return on plan assets	680	1,060

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

	2019 £'000	2018 £'000
Fair value of plan assets	12,170	11,350
Present value of plan liabilities	(18,390)	(15,470)
Net pensions (liability)/asset (Note 17)	(6,220)	(4,120)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	610	610
Past service cost	0	10
Total	610	620

Amounts included in investment income

Net interest income	(110)	(130)
	(110)	(130)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	360	790
Experience losses arising on defined benefit obligations	(2,220)	570
Changes in assumptions underlying the present value of plan liabilities	-	-
Amount recognised in Other Comprehensive Income	(1,860)	1,360

Fareham College
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2019	2018
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(4,124)	(5,184)
Movement in year:		
Current service cost	(610)	(610)
Employer contributions	480	450
Past service cost	-	(10)
Net interest on the defined (liability)/asset	(110)	(130)
Actuarial gain or loss	(1,860)	1,360
Net defined benefit (liability)/asset at 31 July	(6,224)	(4,124)

Asset and Liability Reconciliation

	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	15,470	15,370
Current Service cost	610	610
Interest cost	430	400
Contributions by Scheme participants	130	130
Experience gains and losses on defined benefit obligations	2,220	(570)
Changes in financial assumptions		
Estimated benefits paid	(470)	(480)
Past Service cost	-	10
Curtailments and settlements	-	-
Defined benefit obligations at end of period	18,390	15,470

Reconciliation of Assets

	2019	2018
	£'000	£'000
Fair value of plan assets at start of period	11,350	10,190
Interest on plan assets	320	270
Return on plan assets		
Actual gain/(loss)	360	790
Employer contributions	480	450
Contributions by Scheme participants	130	130
Estimated benefits paid	(470)	(480)
Fair value of plan assets at end of period	12,170	11,350

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 £285; 3 governors (2018: £45; 1 governor). This represents training, 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 (2018: None).

25 Amounts disbursed as agent

Learner support funds	2019 £'000	2018 £'000
Funding body grants – ESFA (DLSF, Free School Meals, Bursary)	277	227
Other Funding body grants		
Interest earned	<u>277</u>	<u>227</u>
Disbursed to students	(241)	(209)
Administration costs	(22)	(11)
Balance unspent as at 31 July, included in creditors	<u>14</u>	<u>7</u>

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

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 2 July 2018 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Fareham College during the period 1 August 2018 to 31 July 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 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 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 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

Use of our report

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

RSM UK AUDIT LLP

Chartered Accountants

Tollgate,

Chandlers Ford,

Eastleigh,

Hampshire,

SO53 3TY

Date:

