



**Annual Report and Financial Statements**  
**Year Ended 31<sup>st</sup> July 2023**

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## Reference and Administrative Details

### Board of Governors

A full list of Governors is given on page 16 of these financial statements.  
Mrs Georgina Flood acted as Head of Governance throughout the period.

### Key Management Personnel

Key management personnel were represented by the following in 2022/23:

Andrew Kaye	Principal and CEO; Accounting Officer
Richard Bryant	Deputy Principal Finance and Resources (resigned 1 August 2023)
Christian Allen-Kotze	Deputy Principal Curriculum, Quality & Innovation (resigned 1 August 2023)
Laura Jelly	Head of People & Culture
Anoushka Ottley	Managing Director of Business Partnerships & Commercial

### Principal and Registered Office

Bishopsfield Road  
Fareham  
Hampshire  
PO14 1NH

### Professional Advisers

#### External auditors:

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

#### Internal auditors:

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

#### Bankers:

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

#### Solicitors:

Glanvilles  
West Wing  
Cams Hall  
Fareham  
PO16 8AB

## Strategic Report

### OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditors report for Fareham College for the year ended 31 July 2023.

#### 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.

#### Merger

Since 2015 the Corporation and Senior Management have been working with the ESFA, the FE Commissioner and partners on achieving a sustainable, high quality provision of further education in Southampton and the surrounding areas.

Following a review which involved Fareham College and other local further education providers, the DfE recommended the College merge with Eastleigh College and Southampton City College, and so form one medium-sized further education provider as from August 2023. Eastleigh College and City College Southampton merged with Fareham College and the new entity was renamed South Hampshire College Group (SHCG) as formed on 1 August 2023.

On 1 August 2023, Eastleigh College and Southampton City College dissolved their activities, assets and liabilities; transferring to South Hampshire College Group (SHCG - 'The College Group') under a Type B merger. On that date, an SHCG Senior Leadership Team was formed, with responsibilities for discharging Senior Leadership Team responsibilities for the former colleges transferring to the SHCG team.

#### Our purpose

Our purpose is who we are and the role we are here to fulfil. Our purpose brings value through increased employee engagement and higher levels of productivity.

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

Our purpose is:

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

#### Our mission

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

#### Our vision 2026

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

#### Our Culture

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

Our culture is the golden thread connecting everything we do.

- We create a culture where *respect* is deeply embedded for all who work, study and visit the college group.



- We encourage *innovation* in design, development and delivery of our curriculum and services.
- We promote *excellence* in staff and student performance.

### Our strategic priorities

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

### Implementation of strategic plan

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

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

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

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

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

In October 2022, the College adopted a strategic plan for the period to 2026. The Corporation monitors the performance of the College against this plan and the plan is reviewed and updated each year. Following the merger on 1 August 2023 the plan was revised and updated for the combined entity.

### RESOURCES

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

### Financial

The College has £15.004m of net assets at 31 July 2023 (2022: £12.989m).

### People

The College employed an average of 301 people (2022: 291), of whom 126 are teaching staff (2022: 131).

## Reputation

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

## Financial objectives

The College Group's financial objectives are that we:

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

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

## Performance indicators

The College Group 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 Group is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). Using the Education and Skills Funding Agency calculator, the College Group has assessed itself as having a "Requires Improvement" 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.

## Stakeholders

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);

- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- Bankers.

## DEVELOPMENT AND PERFORMANCE

### Financial results

The College generated a deficit before other gains and losses in the year of £203k (2022: deficit of £1,789k), with total comprehensive income of £2,015k (2022: £5,961k).

The total comprehensive income in 2023 is stated after accounting for actuarial gains in respect of pension schemes.

### Developments

Tangible fixed asset additions for equipment purchased during the year amounted to £3,825k (2022: £2,608k).

The College started a programme in January to construct a £2.5m extension to the CEMAST building to support students studying highly technical qualifications in Engineering, Marine and Robotics as part of the South Coast Institute of Technology's Universities and Colleges collaboration.

In addition, a further £998k project commenced in July to redesign the curriculum catering facilities in readiness for the new T Levels in Hospitality & Catering, with both projects due for completion in the final quarter of 2023.

### Reserves

The College has accumulated reserves of £15m and cash balances of £1.765m as at 31 July 2023 (2022: accumulated reserve £12.989m and cash balances £3.49m).

### Sources of Income

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2023 the ESFA provided 81% of the College total income (2022: 81%).

## KEY PERFORMANCE INDICATORS

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

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

KPI	22/23 Actual	Target
Student numbers		
• Full Time Study Programmes (R04)	1,474	1,623
• Higher Education	146	154
• Total inc. Part Time	4,009	4,192
Student achievement		
• 16-18	81%	90%
• Adults	82%	90%
• Apprenticeships (overall)	58%	75%
Ofsted Rating	Outstanding	Outstanding
ESFA Financial Health	Requires	Outstanding

	Improvement	
Turnover	£17.5m	£18m
o/w apprenticeships	£2.8m	£3m

### Student achievements

- Outcomes for 16-18 year olds are 81.2%, a slight decline in comparison to 2021/22 at 83.3%.
- Outcomes for adults are 82.1% a slight decline in comparison to 85.1% in 2021/22.
- The overall achievement rates (Class Based) are 81.5%.
- Overall achievement rates for apprentices at 57.8% has improved from 57.2% in 2021/22.
- GCSE maths 9-4 rate for 16-18 year olds is 14.9%, lower than the 2021/22 profile of 16.8%.
- GCSE English 9-4 rate for 16-18 year olds is 18.5%, lower than the 2021/22 profile of 20.8%.
- Achievement of high grades has declined overall due to the return of exam based assessment from centre assessed grading in previous years. However, achievement data is in line with the national picture and demonstrates the difficulties this cohort had encountering their first formal exams.

Progression through the grades are positive with 34% of maths students and 37% of English students improving upon their starting grades.

In the College self-assessment report for 2022/23 outcomes for learners will be reported as Outstanding. The achievement rates of the core study programme qualifications are high at Levels 1, 2 and 3.

The achievement of adults and apprentices has improved in comparison to 22/23 with improved processes ensuring that learners remain on programme and make positive progress. This will remain a priority for 23/24 academic year.

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

### FUTURE PROSPECTS

#### Developments

The College was the lead college in the Strategic Development Fund (SDF) pilot for the Solent region, in 2021/22, which was part of the government's Skills Accelerator programme outlined in the FE White paper announced in January 2021. The college was then successful in its application to lead the second-round funding for the Strategic Development Fund in 2022/23. These were both collaborative projects with other providers and employers in the region to improve technical and professional education resources and facilities. These projects were successful in developing deeper partnerships with other post-16 providers, the Hampshire Chamber of Commerce as an Employer Representative Body, a wider range of employers and other regional stakeholders.

Through the first SDF project, the college co-located the Hampshire Chamber of Commerce on site and has continued to support the submission of a Local Skills Improvement Plan. This ultimately leads to future investment for the college and the region through the Local Skills Improvement Fund.

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

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

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

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

Through the SDF projects, the IoT, T Levels and extensive adult and apprenticeship training the college has a strong reputation as a regional anchor institution.

During the year the college leadership and governors, engaged in extensive merger preparation and succession with two other colleges. The development of a joint steering group of governors and leaders from Fareham College, Eastleigh College, and City College Southampton resulted in a strong business case being prepared for the Department for Education. In May 2023, the DfE indicated the merger would be supported. The colleges merged on 1<sup>st</sup> August 2023. The merged college is the largest FE provider and the largest apprenticeship provider in Hampshire.

### **Treasury policies and objectives**

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

The College has a separate treasury management policy in place.

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

### **Cash flows and liquidity**

There was a net decrease of £1.4m in cash flow from operating activities (2022: increase £3.55m). After servicing debt and a capital programme, there was a net cash outflow of £1,727k (2022: inflow of £547k).

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 £11.384m (2022: £9.185m). 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**

2023/24 represents the first year of operation for South Hampshire College Group and has started well.

- Our R04 submission to the ESFA on 4<sup>th</sup> December 2023 showed we had exceeded our allocation for 16-18-year-old, full-time students by 130 which means our funding for 2024/25 will be in-excess of forecast
- First quarter results showed our apprenticeship income is on track to achieve budget and we will exceed our budget for adult income
- The Group has just started a period of consultation with staff that will reduce our staff costs for 2024/25 and also create some in-year savings during 2023/24.
- In line with all colleges, the Group received a specific allocation from the ESFA in September 2023 which has enabled us to make a 5.5% pay award to all staff.



The management team review financial performance of the Group via monthly management accounts (which includes a cashflow forecast) and regular College Financial Forecast Returns submitted to the Department for Education (DfE) – a requirement of the merger grant.

The Group has an impressive programme of capital investment thanks to merger funding from the DfE, successful T Level bids and the Group was the lead in a successful Local Skills Improvement Fund (LSIF) Bid.

Therefore, after making appropriate enquiries, the Corporation considers that the group 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 and Board Assurance Framework is maintained at the College level which is reviewed at least annually by the Audit and Risk Committee and more frequently where necessary. The Board Assurance Framework identifies the key risks, the likelihood of those risks occurring, their potential impact on the College, the actions being taken to reduce and mitigate the risks and the relevant assurances in place to provide for good governance and oversight of risk management. Risks are prioritised using a consistent scoring system. Risk are referenced to the corporate risk appetite statement which is reviewed annually at the start of the academic year. Movement of risk can be monitored.

The risk table from 4Risk is shown below, representing Fareham College. Other factors besides those listed below may also adversely affect the College group. Risk factor information for the College Group is not currently available:

Risk Description	Inherent Risk Priority	Residual Risk Priority
Instability of workforce disrupts business performance	I = 4 L = 4 High (16)	I = 3 L = 3 Medium (9)
Public health emergency impacts student or staff welfare or business operations	I = 3 L = 2 Medium (6)	I = 2 L = 2 Low (4)
Legislation & Compliance	I = 4 L = 3 High (12)	I = 3 L = 3 Medium (9)
Poor Facilities, Equipment & IT impacts staff, students and reputation	I = 4 L = 4 High (16)	I = 3 L = 2 Medium (6)
Student Experience	I = 4 L = 4 High (16)	I = 3 L = 3 Medium (9)
A lack of effective Curriculum, Quality and Innovation development could lead to a negative Ofsted outcome	I = 3 L = 3 Medium (9)	I = 2 L = 2 Low (4)
Financial position deteriorates leading to insolvency	I = 4 L = 4 High (16)	I = 4 L = 2 Medium (8)
A lack of quality and compliance in apprenticeships could negatively impact reputation and financial resilience	I = 4 L = 4 High (16)	I = 3 L = 3 Medium (9)
Failure to monitor Health & Safety compliance and processes results in serious incident	I = 5 L = 4 Severe (20)	I = 3 L = 3 Medium (9)
Merger and additional projects distract from and negatively impact 'business as usual' activity	I = 3 L = 4 High (12)	I = 2 L = 2 Low (4)
CETC - The Risk of not delivering the profile set by the LEP will disproportionately impact our financial Position.	I = 4 L = 3 High (12)	I = 3 L = 3 Medium (9)
Poor cyber security leads to loss of systems and, or, financial loss through ransom demands	I = 5 L = 4 Severe (20)	I = 3 L = 3 Medium (9)

## OTHER INFORMATION

### Public Benefit

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

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

### Equality

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

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

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

### Gender Pay Gap

	Year ending 31 March 2023
Mean gender pay gap	+15% (Male v Female)
Median gender pay gap	+19% (Male v Female)
Mean bonus gender pay gap	-0.5% (Male v Female)
Median bonus gender pay gap	-0.5% (Male v Female)
Proportion of males/females receiving a bonus	0%/0.5%

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

	Males	Females
1 - Lower quartile	26%	74%
2	20%	80%
3	60%	40%
4 – Upper quartile	70%	30%

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



## Disability statement

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

- a) Working with Local Authorities to ensure facilities are adapted to meet the needs of students with disabilities.
- b) The College has appointed an Additional Learning Support Manager, who provides information, advice and arranges support where necessary for students with disabilities.
- c) The college has access to specialist equipment which can be made available for use by students and a range of assistive technology is available in the learning centres.
- d) Admissions policies are published on the College website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has appointed of specialist staff to support students with learning difficulties and, or, disabilities. There are a number of learning support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and, or, disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the online student learning area, which is available to students together with the Complaints and Disciplinary Procedure.

## Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting period 1 August 2022 to 31 July 2023, the College paid 82 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

## Trade union facility time

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

Numbers of employees who were trade union representatives for this period	2
FTE employee number	0.41

Total cost of facility time	£7,792
Total pay bill	£10,763k
Percentage of total bill spent on facility time	0.07%

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

## Events after the end of the reporting period

On 1 August 2023, Eastleigh College and Southampton City College dissolved and transferred their assets and liabilities into Fareham College. On this date, the College changed its name to South Hampshire College Group.

**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 18 December 2023 and signed on its behalf by:**



**Sandra Prail**  
Chair

## GOVERNANCE STATEMENT

The following statement is provided to enable readers of the annual report and accounts of the college to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

## GOVERNANCE CODE

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

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2023. This opinion is based on an internal review of compliance with the Code reported to the board on 05 July 2023.

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

## THE CORPORATION

### The governance framework

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

The corporation is provided with regular and timely information on the overall financial performance of the college together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The corporation meets half-termly.

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

The clerk to the corporation maintains a register of financial and personal interests of the governors. The register is also available via the website [www.fareham.ac.uk](http://www.fareham.ac.uk)

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis.

The corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

**Members of the corporation**

	<b>Date appointed</b>	<b>Current Term of office</b>	<b>Date resigned</b>	<b>Status of appointment</b>	<b>Attendance 2022-23</b>
Frances Butler	1.8.2023	2 years	N/A	Independent	1 of 1
Emma Champion	1.8.2023	1 year	N/A	Independent	1 of 1
Ian Harris	1.8.2023	3 years	N/A	Independent	1 of 1
Sarah Harder-Collins	1.8.2023	3 years	N/A	Independent	1 of 1
Phil Harris-Bridge	1.8.2023	2 years	N/A	Independent	1 of 1
Andrew Kaye	1.8.2023	N/A	N/A	Ex-officio	1 of 1
Julia Martin	1.8.2023	3 years	N/A	Independent	0 of 1
Emily Morey	1.8.2023	1 year	N/A	Independent	1 of 1
Collins Ntim	1.8.2023	2 years	N/A	Independent	1 of 1
Colin O'Donoghue	1.8.2023	2 years	N/A	Independent	1 of 1
Sandra Prail	7.12.22	Interim	N/A	Interim via FEC	1 of 1
Jo Pengelley	10.10.22	Temp extension	N/A	Staff	1 of 1
Tanya Richardson	26.6.19	Temp extension	N/A	Staff	1 of 1
Karen Shreves	13.12.17	Temp extension	N/A	Staff	0 of 1
Louise Smith	10.10.22	Temp extension	n/a	Staff	0 of 1
Irene Tichy	1.8.2023	3 years	N/A	Independent	1 of 1
Bernie Topham	1.8.2023	2 years	N/A	Independent	1 of 1
Andy Wannell	1.8.2023	3 years	N/A	Independent	1 of 1
Natalie Wigman	1.8.2023	2 years	N/A	Independent	1 of 1

With effect from 1st August 2023, a new SHCG Corporation was elected. Members were selected by merit based on skills and experience. Members include a combination of members from legacy Corporations of Eastleigh, City College Southampton and Fareham as well as external appointments.

As in interim measure, the Further Education Commissioner's Team suggested Sandra Prail (National Leader of Governance) was appointed as 'transitional' Chair for a term to be determined (initially suggested 12-18 months). Active recruitment for a Chair 'designate' is ongoing.

At point of merger, Staff Governors have been 'inherited' from legacy Colleges as a temporary measure. The SHCG Corporation will be making a formal decision on the selection and appointment of staff governors at it's Corporation meeting on 11 December 2023. At the time of submission Student Governor positions for SHCG were still being recruited to.

**Appointments to the corporation**

Any new member appointments to the corporation are a matter for the consideration of the corporation. The corporation has a search committee, consisting of three members of the corporation, which is responsible for the selection and nomination of any new member for the corporation's consideration. The corporation is responsible for ensuring that appropriate training is provided as required.

Members of the corporation are appointed for a term of office not exceeding three years.

## Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2023. As in previous years, a range of factors was used to assess the performance of individual Governors, Committees and ultimately the Corporation as a whole. This included analysis of attendance statistics, appraisals, training records, link governor feedback as well and anonymous post meeting surveys. Each Committee also reviewed its performance against the Code of Good Governance and identified items for improvement or best practice. An associated action plan was drawn up and will be monitored by the SEARCH Committee.

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

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

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

### Chair

AOC South East region Chairs Network (half termly)
AOC Regional Conference 16 March 2023

### Director of Governance

AOC South East region Clerks Network half termly
ETF Webinar ONS reclassification - what next? 12 December 2022
AOC Ofsted Masterclass new Framework October 2022
Governance Professionals Development Workshops with Kay White: Power up, speak up; be heard".
Governance Professionals Development Workshops with Kay White: Perception is reality or is it?
DoE Webinar - Accountability statements
Kay White Personal Development sessions x 2 March 2023
AOC Webinar How to meet local skills needs 28 March 2023
AOC Regional Conference 16 March 2023

### Finance & Resources Committee

Throughout the year ending 31 July 2023 the college's Finance & Resources Committee comprised 5 members of the corporation. The Committee's responsibilities include making recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior postholders and the Director of Governance.

The College adopts the AOC's Senior Staff Remuneration Code 9 and provides annual reporting in line with its recommendations to the Autumn Committee meeting of the Finance & Resources Committee.

Details of remuneration for the year ended 31 July 2023 are set out in note 9 to the financial statements.

## Audit & Risk Committee

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

The college's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit & Risk 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 & Risk Committee also advises the corporation on the appointment of internal auditors, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the corporation.

The audit committee met three times in the year to 31 July 2023. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended	% Attendance
Ian Harris	3 (of 3)	100%
Kerrie Clark (co-optee)	3 (of 3)	100%
Simon Harris	1 (of 3)	33%
Luca Caserta	2 (of 3)	66%

## Other Committees

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

Minutes of all Committees can be found on our website [www.fareham.ac.uk](http://www.fareham.ac.uk)

## INTERNAL CONTROL

### Scope of responsibility

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

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



internal control.

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in Fareham College for the year ended 31 July 2023 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 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the corporation.

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

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the corporation on the recommendation of the audit committee. At minimum, annually, the Internal Audit (IA) provider gives the governing body a report on internal audit activity in the College. The report includes the IA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls, and governance processes.

### **Risks faced by the corporation**

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

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

### **Control weaknesses identified**

No significant internal control weaknesses or failures have arisen during the period 1 August 2022 to 31 July 2023.

## **Responsibilities under funding agreements**

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

The Department for Education and Education and Skills Funding Agency introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The college has reviewed its policies, procedures and approval processes in line with these new requirements and updated them to ensure compliance with the new requirements.]. The College is establishing systems and processes to identify and handle any transactions for which DfE approval is required

## **Statement from the audit committee**

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

The specific areas of focus for internal audit in 2022/23 and up to the date of the approval of the financial statements are:

- Key Financial Controls; Purchasing and payments
- Risk Management
- Safeguarding
- Data Protection
- Sub-contracting Controls

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

## **Review of effectiveness**

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

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

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

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

The Audit & Risk 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 & Risk



Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

**Approved by order of the members of the Corporation on 18 December 2023 and signed on its behalf by:**



**Sandra Prail**  
Chair



**Andrew Kaye**  
Accounting Officer

**Statement of Regularity, Propriety and Compliance**

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

I confirm, on behalf of the Corporation, that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the Corporation, or material noncompliance with the framework of authorities and the terms and conditions of funding under the Corporation's grant funding agreements and contracts with the ESFA or any other public funder, this includes the elements outlined on the "Dear Accounting Officer" letter of 29 November 2022 and ESFA's bite size guides.

I confirm that no instances of material irregularity, impropriety or non-compliance with the framework of authorities 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: 18 December 2023**

**Statement of the chair of governors**

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



**Sandra Prail**  
**Chair of Governors**

**Date: 18 December 2023**

## Statement of Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction issued by the Office for Students, and United Kingdom's Generally Accepted Accounting Practice. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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


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

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

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities following the reclassification of college corporations on 29 November 2022.

Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk. They are also responsible for ensuring funds from Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

**Approved by order of the members of the Corporation on 18 December 2023 and signed on its behalf by:**



**Sandra Prail**  
**Chair of Governors**

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

We have audited the financial statements of Fareham College (the "College") for the year ended 31 July 2023 which comprise college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including 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) and the Accounts Direction issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2023 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Accounts Direction issued by the Education and Skills Funding Agency.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

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

**Other information**

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

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

We have nothing to report in this regard.

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

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

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

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

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

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

- the College's grant and fee income, as disclosed in the note 2 to the accounts, has been materially misstated.

### **Responsibilities of the Corporation of Fareham College**

As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 23 to 24, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to



perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

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

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

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

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

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

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

The audit engagement team identified the risk of management override of controls and income recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates, testing whether income has been appropriately recognised based on the underlying funding agreement and focusing on learner eligibility.

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

**Use of our report**

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

RSM UK Audit LLP

RSM UK AUDIT LLP  
Chartered Accountants  
Highfield Court  
Tollgate  
Chandlers Ford  
Hampshire  
SO53 3TG

Date 20 December 2023



## Statement of Comprehensive Income

	Notes	2023 £'000	2022 £'000
<b>INCOME</b>			
Funding body grants	2	15,120	13,702
Tuition fees and education contracts	3	1,292	1,180
Other grants and contracts	4	327	297
Other income	5	678	721
Investment income	7	45	3
Donations	8	7	34
<b>Total income</b>		<b>17,469</b>	<b>15,937</b>
<b>EXPENDITURE</b>			
Staff costs	9	10,875	11,166
Other operating expenses	10	4,731	4,683
Depreciation	13	1,828	1,574
Interest and other finance costs	11	238	303
<b>Total expenditure</b>		<b>17,672</b>	<b>17,726</b>
<b>(Deficit) before other gains and losses</b>		<b>(203)</b>	<b>(1,789)</b>
Profit / (Loss) on disposal of assets	13	5	(6)
<b>(Deficit) before tax</b>		<b>(198)</b>	<b>(1,795)</b>
Taxation	12	-	-
<b>(Deficit) for the year</b>		<b>(198)</b>	<b>(1,795)</b>
Actuarial gain in respect of pensions schemes	18,24	2,213	7,756
<b>Total Comprehensive Income for the year</b>		<b>2,015</b>	<b>5,961</b>
<b>Represented by:</b>			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		2,015	5,961
		<b>2,015</b>	<b>5,961</b>

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

**Balance sheet as at 31<sup>st</sup> July**

	Notes	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Tangible Fixed assets	13	35,956	33,964
		<b>35,956</b>	<b>33,964</b>
<b>Current assets</b>			
Trade and other receivables	14	1,414	682
Cash and cash equivalents	19	1,765	3,492
		<b>3,179</b>	<b>4,174</b>
<b>Current Liabilities</b>			
Creditors – amounts falling due within one year	15	(6,518)	(8,350)
<b>Net current assets</b>		<b>(3,339)</b>	<b>(4,176)</b>
<b>Total assets less current liabilities</b>		<b>32,617</b>	<b>29,788</b>
Creditors – amounts falling due after more than one year	16	(17,226)	(14,351)
<b>Provisions for Liabilities</b>			
Defined benefit obligations	18	-	(1,993)
Other provisions	18	(387)	(455)
<b>Total net assets</b>		<b>15,004</b>	<b>12,989</b>
<b>Unrestricted Reserves</b>			
Income and expenditure account		11,384	9,185
Revaluation reserve		3,620	3,804
<b>Total unrestricted reserves</b>		<b>15,004</b>	<b>12,989</b>

The financial statements on pages 29 to 51 were approved and authorised for issue by the Corporation on 18 December 2023 and were signed on its behalf on that date by:



**Andrew Kaye**  
Accounting Officer



**Sandra Prail**  
Chair of Governors

## Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Balance at 31<sup>st</sup> July 2021</b>	<b>3,040</b>	<b>3,989</b>	<b>7,029</b>
(Deficit) from the income and expenditure account	(1,795)	-	(1,795)
Other comprehensive income	7,756	-	7,756
Transfers between revaluation and income and expenditure reserves	184	(184)	-
<b>Total comprehensive income for the year</b>	<b>6,145</b>	<b>(184)</b>	<b>5,961</b>
<b>Balance at 31<sup>st</sup> July 2022</b>	<b>9,185</b>	<b>3,804</b>	<b>12,989</b>
(Deficit) from the income and expenditure account	(198)	-	(198)
Other comprehensive income	2,213	-	2,213
Transfers between revaluation and income and expenditure reserves	184	(184)	-
<b>Total comprehensive income for the year</b>	<b>2,199</b>	<b>(184)</b>	<b>2,015</b>
<b>Balance at 31<sup>st</sup> July 2023</b>	<b>11,384</b>	<b>3,620</b>	<b>15,004</b>

## Statement of Cash Flows

		2023 £'000	2022 £'000
<b>Cash flow from operating activities</b>			
Surplus/ (Deficit) for the year		(198)	(1,795)
<b>Adjustment for non-cash items</b>			
Depreciation		1,828	1,574
(Increase)/ decrease in debtors		(732)	84
Increase/ (decrease) in creditors due within one year		616	1,599
Increase/(decrease) in creditors due more than one year		427	949
Increase/ (decrease) in provisions		(32)	(38)
Pensions costs less contributions payable		184	1,026
<b>Adjustment for investing or financing activities</b>			
Investment income		(45)	(3)
Interest receivable		-	-
Interest payable		132	151
(Profit) / Loss on sale of fixed assets		(5)	6
<b>Net cash flow from operating activities</b>		<b>2,175</b>	<b>3,552</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		11	-
Investment income		45	3
Interest receivable		-	-
Payments made to acquire fixed assets		(3,825)	(2,608)
		<b>(3,769)</b>	<b>(2,605)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(132)	(151)
Repayments of amounts borrowed		(165)	(165)
Repayments of obligations under finance leases		164	(84)
		<b>(133)</b>	<b>(400)</b>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>1,727</b>	<b>547</b>
Cash and cash equivalents at beginning of the year	18	3,492	2,945
Cash and cash equivalents at end of the year	18	1,765	3,492

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

#### Statement of accounting policies and estimation techniques

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

#### General Information

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022 to 2023, the Regularity Advice 9: Accounts Direction issued by Office for Students and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The financial statements are presented in sterling which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest £1,000, except where otherwise indicated.

#### Basis of accounting

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

#### Going concern

2023/24 represents the first year of operation for South Hampshire College Group and has started well.

- Our R04 submission to the ESFA on 4<sup>th</sup> December 2023 showed we had exceeded our allocation for 16-18-year-old, full-time students by 130 which means our funding for 2024/25 will be in-excess of forecast
- First quarter results showed our apprenticeship income is on track to achieve budget and we will exceed our budget for adult income
- The Group has just started a period of consultation with staff that will reduce our staff costs for 2024/25 and also create some in-year savings during 2023/24.
- In line with all colleges, the Group received a specific allocation from the ESFA in September 2023 which has enabled us to make a 5.5% pay award to all staff.

The management team review financial performance of the Group via monthly management accounts (which includes a cashflow forecast) and regular College Financial Forecast Returns submitted to the Department for Education (DfE) – a requirement of the merger grant.

The Group has an impressive programme of capital investment thanks to merger funding from the DfE, successful T Level bids and the Group was the lead in a successful Local Skills Improvement Fund (LSIF) Bid.

Therefore, after making appropriate enquiries, the Corporation considers that the group 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

## **Recognition of income**

### *Revenue grant funding*

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

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

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

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

### *Capital grant funding*

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

### *Apprenticeship income*

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

### *Fee income*

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

### *Investment income*

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

### *Agency arrangements*

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

## Accounting for post-employment benefits

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

### *Teachers' Pension Scheme (TPS)*

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

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

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

### *Hampshire Local Government Pension Scheme (LGPS)*

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

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

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

The LGPS assets are managed by the scheme trustees at scheme level, and the determination / allocation of assets to each individual employer in the scheme is managed by the scheme actuary. The assets are allocated to each employer for accounting purposes based on the valuation of the assets at the latest triennial valuation as adjusted for subsequent contributions received from the employer, asset returns and benefit payments made (either on a cash basis or actuarial basis).

The retirement benefit obligation recognised represents the deficit or surplus in the defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans

## Short term Employment benefits

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



## Enhanced Pensions

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

## Tangible fixed assets

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

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

### *Land and buildings*

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

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

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

### *Assets under construction*

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

### *Subsequent expenditure on existing fixed assets*

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

### *Equipment*

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

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

- Motor vehicles and general equipment - straight line over 5 years
- Furniture, fixtures and fittings - straight line over 5 -15 years
- Computer equipment and software - straight line over 3 years

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



### *Borrowing costs*

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

### *Leased assets*

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

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

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

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

### **Cash and cash equivalents**

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

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

### **Financial liabilities and equity**

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

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

### **Taxation**

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

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

## Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

## Agency arrangements

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

## Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease-by-lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine the existence of a minimum funding requirement for the Local Government Pension Scheme to be included in the asset ceiling in measuring and recognising a surplus in the scheme. This judgement is based on an assessment of the nature of the scheme as a statutory scheme and its inherent implied continuance as well as the operation of the primary and secondary contributions.

### *Other key sources of estimation uncertainty*

- **Tangible fixed assets**

Tangible fixed assets are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 to value the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2. Funding Body Grants

	2023 £'000	2022 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	939	995
Education and Skills Funding Agency – 16 -18	9,450	8,552
Education and Skills Funding Agency - apprenticeships	2,782	2,306
Grant income from the Office for Students	140	144
<b>Specific Grants</b>		
Releases of government capital grants	895	647
ESFA Coronavirus Specific Funding Grants		
COVID 19 mass testing funding	-	9
ESFA Other Grants	914	1,049
<b>Total</b>	<b>15,120</b>	<b>13,702</b>

## 3. Tuition Fees and Education Contracts

	2023 £'000	2022 £'000
Adult education fees	123	262
Apprenticeship fees and contracts	686	349
Fees for FE loan supported courses	306	357
Fees for HE loan supported courses	177	212
<b>Total</b>	<b>1,292</b>	<b>1,180</b>

## 4. Other Grants and Contracts

	2023 £'000	2022 £'000
Other grants and contracts	91	67
Local Authority Grants	236	224
HCC Contain Outbreak Management Fund grant	-	6
<b>Total</b>	<b>327</b>	<b>297</b>

**5. Other Income**

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Catering and residences	298	303
Other income generating activities	120	105
Miscellaneous income	260	313
<b>Total</b>	<b>678</b>	<b>721</b>

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

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Grant income from the Office for Students	140	144
Fee income for taught awards (exclusive of VAT)	284	414
<b>Total</b>	<b>424</b>	<b>558</b>

**7. Investment Income**

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Other Interest Receivable	45	3
<b>Total</b>	<b>45</b>	<b>3</b>

**8. Donations**

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Unrestricted Donations	7	34
<b>Total</b>	<b>7</b>	<b>34</b>

**9. Staff Costs**

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

	<b>2023</b> <b>No.</b>	<b>2022</b> <b>No.</b>
Teaching Staff	126	131
Non-Teaching Staff	175	160
	<b>301</b>	<b>291</b>

	2023	2022
<b>Staff Costs for the above persons</b>	<b>£'000</b>	<b>£'000</b>
Wages and Salaries	8,057	7,639
Social Security Costs	801	743
Other pension costs (including FRS102 adjustments of £112,000 (2022: £884,000))	1,876	2,507
<b>Payroll sub total</b>	<b>10,735</b>	<b>10,889</b>
Contracted out staffing services	85	245
	<b>10,819</b>	<b>11,134</b>
Restructuring costs - Contractual	40	8
- Non-contractual	16	24
<b>Total Staff Costs</b>	<b>10,875</b>	<b>11,166</b>

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College, during the year-ended 31 July 2023 are represented by the Senior Management Team which comprises the Principal, Deputy Principal Finance & Resources, Deputy Principal Curriculum, Quality & Improvement, Director Business Partnerships, Head of People & Culture, Director of Student Experience, Director of IT and Director of MIS. 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

	2023	2022
The number of key management personnel including the Accounting Officer was:	8	9

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

	Senior Post Holder		Other Key Management Personnel	
	2023	2022	2023	2022
£50,001 to £55,000			2	2
£55,001 to £60,000			2	2
£60,001 to £65,000			1	1
£70,001 to £75,000				1
£75,001 to £80,000			1	1
£80,001 to £85,000				
£85,001 to £90,000		1		
£90,001 to £95,000	1			
£120,001 to £125,000		1		
£125,001 to £130,000	1			
	<u>2</u>	<u>2</u>	<u>6</u>	<u>7</u>

Key management personnel compensation is made up as follows:

	2023 £'000	2022 £'000
Basic Salary	574	544
Benefits in kind	-	-
National Insurance	71	67
Pension Contributions	131	124
<b>Total</b>	<u>776</u>	<u>735</u>

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

The above compensation includes amounts paid to the Principal and Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration are as follows:

	2023 £'000	2022 £'000
Basic Salary	128	120
Benefits in kind	-	-
National Insurance	17	16
Pension Contributions	30	28
<b>Total</b>	<u>175</u>	<u>164</u>

The remuneration package of the Accounting Officer and Senior Post Holders are subject to annual review by the Finance and Resources Committee of the governing body who use benchmarking information to provide objective guidance. The College has adopted the AOC's Colleges Senior Staff Remuneration Code and has followed the minimum requirements of the code.

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



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

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

Principal and CEO's basic salary as a multiple of the median of all staff 4.04

Principal and CEO's total remuneration as a multiple of the median of all staff 4.26

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

## 10. Other operating expenses

	2023 £'000	2022 £'000
Teaching costs	1,469	1,462
Non-teaching costs	1,372	1,391
Examination Costs	565	601
Premises costs	1,325	1,229
<b>Total</b>	<b>4,731</b>	<b>4,683</b>

### Other operating expenses include:

	2023 £'000	2022 £'000
Auditor's Remuneration:		
Financial Statements Audit	59	50
Teacher Pensions Audit	2	2
Internal Audit	19	11
Operating Lease payments	29	26
Subcontractor payments	465	429

## 11. Interest and other finance costs

	2023 £'000	2022 £'000
On bank loans, overdrafts and other loans:	132	136
	132	136
On Finance Leases	19	15
Net interest on defined pension liability (Note 24) & enhanced pension provision	88	152
<b>Total</b>	<b>239</b>	<b>303</b>

## 12. Taxation

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

**13. Tangible Fixed Assets**

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold £'000	Long leasehold £'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
As at 1 August 2022	25,642	10,066	11,997	717	48,422
Additions	-	-	1,925	1,900	3,825
Transfers from Assets in Construction	-	-	643	(643)	-
Eliminations in respect of disposals	-	-	(677)	-	(677)
<b>As at 31 July 2023</b>	<b>25,642</b>	<b>10,066</b>	<b>13,888</b>	<b>1,974</b>	<b>51,570</b>
<b>Depreciation</b>					
As at 1 August 2022	4,967	1,490	8,001	-	14,458
Charge for the year	525	186	1,117	-	1,828
Eliminations in respect of disposals	-	-	(672)	-	(672)
<b>As at 31 July 2023</b>	<b>5,492</b>	<b>1,676</b>	<b>8,446</b>	<b>-</b>	<b>15,614</b>
<b>Net book value as at 31 July 2023</b>	<b>20,150</b>	<b>8,390</b>	<b>5,442</b>	<b>1,974</b>	<b>35,956</b>
Net book value as at 31 July 2022	20,675	8,576	3,996	717	33,964

The net book value of equipment includes an amount of £85,944 (2022: £176,895) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £90,901 (2022: £90,901).

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

**14. Trade and other receivables**

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade receivables	150	77
Prepayments and accrued income	1,033	381
Amounts owed by the ESFA	231	224
<b>Total</b>	<b>1,414</b>	<b>682</b>

**15. Creditors: amounts falling due within one year**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	165	2,779
Obligations under finance leases	124	95
Trade payables	322	982
Payments received in advance	3,225	2,098
Other Creditors	155	54
Pension Creditor	197	182
Other taxation and social security	193	197
Accruals and deferred income	557	377
Deferred income - government capital grants	901	768
Amounts owed to the ESFA	679	818
<b>Total</b>	<b>6,518</b>	<b>8,350</b>

**16. Creditors: amounts falling due after one year**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	2,448	-
Obligations under finance leases	53	76
Deferred income - government capital grants	14,725	14,275
<b>Total</b>	<b>17,226</b>	<b>14,351</b>

**17. Maturity of debt**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>(a) Bank Loans and Overdrafts</b>		
In one year or less	165	2,779
Between one and two years	165	-
Between two and five years	496	-
In five years or more	1,787	-
<b>Total</b>	<b>2,613</b>	<b>2,779</b>

Following the merger of Fareham College into the South Hampshire College Group, on 1 August 2023 ESFA merger grant funding was drawn down and the entire outstanding loan balance shown above was settled. As at 31 July 2022, one bank covenant had been breached. A Reservation of Rights letter was issued ahead of an expected full waiver being issued once the accounts were finalised. As a result, the loan was reclassified as due within one year.

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>(b) Finance Leases</b>		
In one year or less	124	95
Between two and five years	53	76
In five years or more	-	-
<b>Total</b>	<b>177</b>	<b>171</b>

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

## 18. Provisions

	Defined Benefit Obligations £'000	Enhanced Pensions £'000	Total £'000
As at 1 August 2022	(1,993)	(455)	(2,448)
Change in period	1,993	68	2,061
<b>As at 31 July 2023</b>	<b>-</b>	<b>(387)</b>	<b>(387)</b>

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

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

The principal assumptions for this calculation are:

	2023	2022
Price inflation	2.8%	2.9%
Discount rate	5.0%	3.3%

## 19. Analysis of changes in net debt

	As at 1 August 2022 £'000	Cash flows £'000	Other non-cash Changes £'000	As at 31 July 2023 £'000
<b>Cash and cash equivalents</b>				
Cash	3,492	(1,727)	-	1,765
	<b>3,492</b>	<b>(1,727)</b>	<b>-</b>	<b>1,765</b>
<b>Borrowings</b>				
Loans due within one year	(165)	165	(2,613)	(2,613)
Loans due after one year	(2,613)	-	2,613	0
	<b>(2,778)</b>	<b>165</b>	<b>-</b>	<b>(2,613)</b>
Finance Leases due within one year	(95)	95	(124)	(124)
Finance Leases due after one year	(76)	-	23	(53)
	<b>(171)</b>	<b>95</b>	<b>(101)</b>	<b>(177)</b>
<b>Total</b>	<b>543</b>	<b>(1,467)</b>	<b>(101)</b>	<b>(1,025)</b>

## 20. Capital commitments

	2023 £'000	2022 £'000
Commitments contracted as at 31 July	2,141	816

## 21. Lease obligations

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

	2023 £'000	2022 £'000
Future minimum lease payments due		
<b>Other (non-land and buildings)</b>		
In one year or less	6	26
Between two and five years	11	12
In five years or more	-	-
<b>Total lease payments due</b>	<b>17</b>	<b>38</b>

## 22. Contingent Liabilities

There are no contingent liabilities at the reporting date.

## 23. Events after the reporting period

On 1 August 2023, Eastleigh College and Southampton City College dissolved and transferred their assets and liabilities into Fareham College. On this date, the College changed its name to South Hampshire College Group.

## 24. Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS is as at 31 March 2020 and of the LGPS is as at 31 March 2022.

	2023 £'000	2022 £'000
Teachers' Pension Scheme: contributions paid	1,021	907
Local Government Pension Scheme:		
Contributions paid	747	658
FRS 102 (28) charge	<u>112</u>	<u>884</u>
Charge to the Statement of Comprehensive Income	859	1,542
Enhanced pension charge to Statement of Comprehensive Income	47	46
<b>Total pension cost for the year</b>	<b>1,928</b>	<b>2,495</b>

### 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 2020. The valuation report was published by the Department for Education in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion (31 March 2016: £218 billion), and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222.2 billion (31 March 2016: £198 billion) giving a notional past service deficit of £39.8 billion (31 March 2016: £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). The DfE agreed to pay a teachers pension employer contribution grant to cover the additional costs during the 2022/23 academic year, which will continue to be received through the 2023/24 academic year.

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

The pension costs paid to TPS in the year amounted to £1,413k (2022: £1,254k). The year-end creditor was £118k (2022: £108k).

### 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 2023 was £928k, of which employer's contributions totalled £744k and employees' contributions totalled £184k. The contribution rates for future years are 27.1% (wef 1 Aug 23) for employers plus an annual fixed amount of £54,000 from April 2023 and range from 5.5% to 12.5% for employees, depending on salary. The year-end creditor was £78k (2022: £73k).

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023 by a qualified independent actuary.

	As at 31 July 2023	As at 31 July 2022
Rate of increase in salaries	4.00%	3.60%
Future pensions increase (CPI)	3.00%	2.60%
Discount rate for scheme liabilities	5.05%	3.50%



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

	As at 31 July 2023 Years	As at 31 July 2022 Years
<i>Retiring today</i>		
Males	22.1	22.9
Females	24.7	25.4
<i>Retiring in 20 years</i>		
Males	22.6	24.7
Females	25.7	27.1

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

	Fair Value at 31 July 2023 £'000	Fair Value at 31 July 2022 £'000
Equities	9,112	10,165
Bonds	4,942	3,574
Property	927	1,222
Cash	463	121
<b>Total market value of assets</b>	<b>15,444</b>	<b>15,082</b>

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

	Fair Value at 31 July 2023 £'000	Fair Value at 31 July 2022 £'000
Fair value of plan assets	15,444	15,082
Present value of plan liabilities	(15,103)	(17,075)
Restriction to level of asset ceiling	(341)	-
<b>Net pensions asset/(liability) (Note 18)</b>	<b>-</b>	<b>(1,993)</b>

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

	2023 £'000	2022 £'000
<b>Amounts included in staff costs</b>		
Current service cost	859	1,542
Past service cost	-	-
<b>Total</b>	<b>859</b>	<b>1,542</b>

**Amounts included in investment income**

Interest income	535	262
Interest expense on defined benefit obligation	(607)	(404)
<b>Total</b>	<b>(72)</b>	<b>(142)</b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	(620)	(756)
Experience gains/ (losses) arising on defined benefit obligations	3,138	8,453
<b>Total</b>	<b>2,518</b>	<b>7,697</b>

**Movement in net defined benefit (liability) in year**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit (liability) in scheme at 1 August	(1,993)	(8,664)
Movement in year:		
Current service cost	(859)	(1,542)
Employer contributions	747	658
Past service cost	-	-
Net interest on the defined benefit (liability)/ asset	(72)	(142)
Actuarial gain or (loss)	2,518	7,697
Restriction to level of asset ceiling	(341)	-
<b>Net defined benefit (liability) in scheme at 31 July</b>	<b>-</b>	<b>(1,993)</b>

The value of the college's share of net assets has been restricted due to the effect of the asset ceiling being the maximum value of the present of the economic benefits available in the form of the unconditional right to reduced contributions from the plan. A corresponding charge has been made to other comprehensive income in the period.

**Asset and liability reconciliation**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligation</b>		
Defined benefit obligation at start of period	17,075	23,918
Current Service cost	859	1,542
Interest cost	607	404
Contributions by Scheme participants	184	164
Experience gains on defined benefit obligations	(3,138)	(8,453)
Estimated benefits paid	(485)	(500)
<b>Defined benefit obligation at end of period</b>	<b>15,103</b>	<b>17,075</b>

	2023 £'000	2022 £'000
<b>Changes in fair value of plan assets</b>		
Fair value of plan assets at start of period	15,082	15,254
Interest on plan assets	535	262
Actuarial loss	(620)	(756)
Employer contributions	747	658
Contributions by scheme participants	184	164
Estimated benefits paid	(485)	(500)
<b>Fair value of plan assets at end of period</b>	<b>15,444</b>	<b>15,082</b>

## 25. Related party transactions

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

There were no related party transactions during the year (2022: £nil). There were no expenses paid to or on behalf of the Governors during the year (2022: £nil).

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2022: none).

## 26. Amounts disbursed as agent

	2023 £'000	2022 £'000
Funding body grants – ESFA (DLSF, Free School Meals, Bursary)	248	211
	248	211
Disbursed to students	(188)	(118)
Administration costs	(16)	(14)
Balance unspent as at 31 July, included in creditors	44	79

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

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

### **Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter dated 22 November 2022 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or those of any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Fareham College during the period 01 August 2022 to 31 July 2023 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 01 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### **Basis for conclusion**

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

We have complied with the independence and other ethical requirements of the FRC's Ethical Standard and the ethical pronouncements of the ICAEW. We also apply International Standard on Quality Management (UK) 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly maintain comprehensive systems of continuing quality management.

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

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

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

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

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 01 August 2022 to 31 August 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the

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

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

**Use of our report**

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

RSM UK Audit LLP

**RSM UK AUDIT LLP**

Chartered Accountants

Highfield Court

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Chandlers Ford

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Date 20 December 2023