Annual Report & Financial Statements

for the year ended 31 July 2021

Reference and Administrative Details

Key management personnel

Key management personnel are defined as members of the Senior Leadership Team and were represented by the following in 2020/21:

Mike Gaston - Principal and CEO; Accounting Officer

Richard Barlow – Deputy Principal

Jon Myers – Head of Centre (Alton) *until 18th March 2021*

Dan Beale – Vice Principal (Teaching, Learning and Quality)

Suki Dhesi - Vice Principal (Teaching, Learning and Quality)

Leona Berry - Vice Principal (Business Services & People)

Kelvin Smith – Vice Principal (Finance & Facilities) *until 22 February 2021*

Dominic Asater – Deputy Principal (Finance & Facilities) *from 22 February 2021*

Board of Governors

A full list of Governors is given on pages 20 to 22 of these financial statements. Jackie Eayrs acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:
RSM UK Audit LLP, Portland, 25 High Street, Crawley, West Sussex, RH10 1BC

Internal auditors:
TIAA Ltd, 53-55 Gosport Business Centre, Aerodrome Road, Gosport, PO13 0FQ

Bankers:
Barclays Bank plc, PO Box 156, 67-69 West Street, Fareham

Solicitors:
Blake Morgan LLP, New Kings Court, Tollgate, Chandler's Ford, Eastleigh, Hants, SO53 3LG
Eversheds LLP, 1 Callaghan Square, Cardiff, CF10 5BT

Employment Advisers:
Menzies Law Ltd, St Brandon's House, 29 Great George Street, Bristol, BS1 5QT

Contents

Strategic Report

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditor's report for Havant & South Downs College (HSDC) for the year ended 31 July 2021.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Havant & South Downs College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The Corporation was originally incorporated as The South Downs College and in 2017 it merged with Havant Sixth Form College, and then in 2019 the combined college merged with Alton Sixth Form College.

Purpose, Vision and Objectives

The purpose and vision of the College is described in 'Drive to 2025', approved by Corporation in the Summer 2019.

Our purpose

Education transforms lives. HSDC is committed to realising the ambition of our communities by raising aspirations, enabling achievement and fulfilling dreams.

Our vision

By 2025, we will be the first choice FE College for students, staff, and employers in Hampshire – fully equipping our communities for work and life.

The strategy is underpinned by 5 key objectives:

People and Place - *We will be an employer of choice in Hampshire offering an open and supportive culture, promoting an active and healthy lifestyle and nurturing and harnessing the talents and ideas of both our staff and students.*

Quality and Standards - *We will ensure our students progress to an ambitious life beyond college that fulfils their dreams - through outstanding teaching, learning, support, challenge and assessment.*

Financial Sustainability - *We will achieve financial sustainability through efficient and effective management of our business, enabling continued funding for investment and innovation.*

Community and Social Responsibility - *We will be recognised as the learning heart of our communities, meeting the needs of all our students, whilst ensuring ethical practices and responding to our environmental responsibility.*

Business and Innovation - *We will be the preferred partner in Hampshire for employers and other organisations, renowned for innovation in our curriculum design and delivery.*

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives.

The College employed 867 people (expressed as average headcount) in 2020/21, of whom 389 were teaching staff.

In 2020/21 the College had various learner cohorts

16-18-year-old FE learners	5,169
19+ Learners	58
Adult part time learners	642
Apprentices	422
HE Learners	291
14-16 learners	81
International Learners	17
Distance Learning Partnership	164
Subcontracted Learners	498
Total Learners	**7,342**

The College has £3.3 million of net liabilities (after taking account of a £31.6million pension liability). At the balance sheet date, it has no short or long-term debt.

Tangible resources include the main college sites and fixtures, fittings and equipment. The net book value of these fixed assets at 31 July 2021 is £46.4 million.

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

Stakeholders

The College has many stakeholders including:

- current, future, and past students and parents.
- staff and trade unions.
- local and regional employers.
- Local Schools.
- Universities, namely University of Portsmouth and University of Chichester.
- funding bodies – DfE, ESFA, OfS, Hampshire County Council.
- Barclays bank.
- The local community.
- local unitary and shire councils and Local Enterprise Partnerships (Solent, EM3).

How we engage with our stakeholders

- We provide pathways for people to move onwards in their learning and careers.
- We provide a broad, distinctive curriculum choice and a rich student experience.
- We foster close relationships with neighbouring schools, parents and our communities.
- We seek out relationships with employers to promote learning at work and the development of skills at all levels.
- We work with small and medium-sized businesses across the South and Southeast of England.

Public Benefit

Havant & South Downs College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 20 to 22. 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 to its supplementary guidance on the advancement of education.

In delivering its vision the College provides identifiable public benefits through the provision of education to approximately 7K learners, including approximately 400 learners with high needs. The College provides courses, without charge, to young people, to those who are unemployed and adults taking English and maths course. The college adjusts its courses to meet the needs of local employers and provides training to 200 apprentices. The college is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

Members of the public can assess the value added to the local community by the College through.

- Ofsted and QAA inspection reports.
- Student and employer surveys.
- Published accounts.
- Community Engagement Policy.
- Records of College Corporation meetings.

Governors review and update the College's public value statement as part of the regular review of the College Strategic Plan.

DEVELOPMENT AND PERFORMANCE

Financial objectives

The College's Strategic Plan - 'Drive to 25' identifies 'Financial Sustainability' as one of its five strategic objectives. This objective requires the College to have growing income streams, a manageable cost base and enough cash to invest for the future. The College measures its progress towards Financial Sustainability by setting annual financial objectives.

In 2020/21 the College set the following objectives:

- to minimise the budgeted EBITDA deficit by 31st July 2021.
- to achieve a staff to turnover ratio of below 75%.
- to control and manage the College's cashflow.
- to have no overdraft or borrowing.
- to invest in the College estate (maximising grant and minimising college contribution).
- Unqualified External Audit opinion.
- Financial Health of 'Requires Improvement' or better.

Financial Results

2020/21 was the second year in which the impact of Covid-19 effected the College performance against its financial objectives. It was also the second full year following the merger with Alton Sixth Form College.

In 2020/21 HSDC budgeted for a £1.298m deficit Earnings Before Interest, Tax, Depreciation and Amortisation (Education EBITDA). This target included a £1m savings target that was to be delivered through the year from the Financial Sustainability Plan agreed by Corporation at its meeting on 2/7/2020.

The 20/21 Financial Statements show the College ended the 2020/21 financial year with a £1.204m deficit education EBITDA, an improvement of £0.094m from budget.

Key Variances to budget included additional 16-19 Study Programme funding from September 2020 recruitment (£446k), Apprenticeship income over achievement (£233k), Other Income streams overachieved (£100k), Pay overspend (£700k), Non Pay underspend (£1m).

The final reported deficit for 20/21 shown in the Statement of Comprehensive Income is £4.244m (19/20 -£19,380). This includes Deferred Capital Grant of £1.033m (19/20 £811k), Depreciation of £2.832m (19/20 £2.636m), Interest of £54k (19/20 £85k) and the impact of FRS102 of £2.322m (19/20 £1.418m) .

The deficit for 2020/21 includes costs of redundancy arising from the Financial Sustainability Plan of £749k (19/20 £481k), subcontract and partnership costs arising from AEB delivery of £1,020k (19/20 £945k) and a trading loss £273k on the Aramark catering contract (19/20 £190k).

The College saw headline income (including Deferred Capital Grant) of £34.708m (19/20 £33.587m). The College saw growth in 16-19 Study Programme funding of £1.8m over 19/20, as a result of a 4.7% increase in the national funding rate, funding for in year growth because September 2020 enrolments were significantly ahead of lagged funded learner numbers, and Covid funding streams. This was partially offset by a drop in more commercial funding streams from catering and lettings.

Staffing costs continue to increase, are unsustainably high and above FE sector norms. The College did benefit in year from a TPS grant to help fund increased TPS costs that are not reflected in base rate funding. LGPS service rates also continue to be a burden on staff costs. The College gave a 1.0% inflationary pay award in year.

Non-pay costs fell in year by £387k year-on-year driven by an absence of one-off merger related costs and some softening of costs from partial closure from March 2020 due to COVID 19. A sizeable amount of College non pay costs are fixed or semi-fixed in nature with the additional duplication of costs running 3 campuses.

The College LGPS defined benefit pension liability, valued annually by Actuaries, suffered a material swing from COVID 19. The pension deficit liability improved to £31.6m down from £38.9m in 2019/20, but still up from the £23.7m valuation in 2018/19. This is a national and sectoral issue reflective of the fluctuating economic outlook and the impact of asset performance of the scheme.

Tangible fixed asset additions during the year amounted to £3.127m being assets capitalised in year and assets under the course of construction at year end 31 July 2021.

The Financial Health of the College in 2020/01 is estimated as 'Requires Improvement' (19/20 'Requires Improvement').

The adjusted ratio of Staff Cost to Turnover is 78.83%, significantly down on the 85.6% in 2019/20. This was mainly due to increased 16-19 study programme income but was also in part due to the implementation of the College's Financial Sustainability Plan and consequent in year redundancies.

Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (adjusted EBITDA) was -1.0% a significant improvement on the -9.1% in 2019/20.

Cash flows and liquidity

The net cash outflow from activities in 2020/21 was £616,000 a significant improvement on the £3.1m outflow in 2019/20. The College cash balance at the year-end was £2.764m with no borrowings.

The impact of COVID on cash has been harder to quantify precisely. The College is over 85% funded by ESFA grant income and as such is somewhat protected against Covid financial shock, however, there was some loss of planned commercial incomes from catering, lettings, salons, and the restaurant.

The College received funding from the Governments Coronavirus Job Retention Scheme (CJRS). Between August 2020 to July 2021, the College claimed £201k for staff members furloughed as a result of COVID 19 related business interruption.

Developments

During 2020/21 the College continued to align its systems and procedures to drive out efficiencies from the original merger of Havant and South Downs Colleges and Alton College. The College began and progressed work on a Financial Sustainability Plan that was designed to leverage these efficiencies and secure the merged college's financial sustainability permanently into the future.

Capital Development

During 2020/21 the College undertook several significant capital refurbishments and spent a considerable sum on condition improvements across the College. In the main, these works were fully grant funded.

Further Education Capital Allocation - £1.296m

In August 2020 the College received announcement of a share of the £200 million from the £1.5 billion Government Capital Allocation fund to support the condition improvement and upgrading of the College estate. The College allocation was £1.296 million to be spent or committed by 31 September 2021.

The College has used these funds to support Health & Safety improvements, legacy backlog maintenance issues and to co-fund the EM3 LEP Bid and Alton reception refurbishment. All works were complete and funding fully spent by 30th September 2021.

EM3 LEP Bid – Digital & Gaming Hub (Alton campus) - £830k

Through engagement with the EM3 LEP the College was successful in a bid for a new Gaming & Digital Hub at Alton. This was formally opened in October 2021 and involved the complete refurbishment and improvements works to buildings at areas of the Stevens Building at the Alton campus in support of the new T Level skills curriculum.

Alton Campus – Independent Living Centre, refurbishment of Ground Floor Austen Building - £730k

In partnership with Hampshire County Council and fully funded by them, this scheme has converted several classrooms in the Austen Building into an Independent Living training facility for up to 32 learners with High Needs.

South Downs / Alton Campus – Wave 2 T Level refurbishments - £643k

Refurbishment of 424 square meters at South Downs Campus and 161 square meters at Alton Campus to support Digital Infrastructure, Health and Health Care Science T Levels beginning in September 2021.

In total the College saw tangible fixed asset additions in year of £3.1m, split £2.2m Buildings, £0.6m Equipment and £0.3m Assets in the Course of Construction.

Reserves

At 31st July 2021 the College had £3m negative reserves. This includes £31.6m of Defined benefit obligations. The College wishes to continue to accumulate and protect its reserves in particular by growing its cash reserves by generating an annual operating cash surplus to enable reinvestment in College infrastructure.

Sources of income

The College continues to have significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21, FE funding bodies provided 86.7% of the college's total income.

COVID 19

Through 2020/21 the College has continued to respond to the challenges of the COVID-19 Pandemic. The College has further developed its strength in delivering blended remote learning strategies to ensure teaching continues in some manner at distance for all learners. These techniques were again put into practice during the Spring 2021 Lockdown when all learning was undertaken remotely until the beginning of March 2021.

The College implemented all practical COVID-19 safety measures in classrooms and throughout its campuses to ensure social distancing and strict cleaning regimes were adhered to. Inevitably, these were constrained to the natural operation and social ambience of the College and changed the delivery styles adopted in classrooms.

In addition, the College had a strong response system for dealing with any suspected or confirmed positive COVID-19 test cases led by Senior Management, Facilities, Health & Well Being and middle management. Governors, parents, staff, PHE, ESFA and Local Authorities are all informed as appropriate.

The impact of COVID-19 on the College financial position has been marginally negative. Whilst it benefits from a large proportion of in-year protected ESFA funding, the College did see a slowing and loss of some commercial incomes i.e., catering, lettings, salons, restaurants etc. earnings. This was compensated to a large extend by underspends in non-pay costs (utilities, exams, catering subsidies). The College also availed of the Government CJRS, the 16-19 Tuition fund and funding to support asymptomatic testing, along with some other smaller COVID funding grant streams.

Streamlined Energy and Carbon Reporting

HSDC is committed to reducing its CO2 emissions and publishes the following information to help us monitor our performance on reducing CO2 emissions over time. In 2021/22 the College's Environmental Sustainability Committee will commence its journey on the Climate Action Roadmap for FE Colleges. The College's current greenhouse gas emissions are set out below:

UK Greenhouse gas emissions and energy use data for the period	1 August 2020 to 31 July 2021	1 August 2019 to 31 July 2020
Energy consumption used to calculate emissions (kWh)	9,442,750	9,159,220
Scope 1 emissions in metric tonnes CO2e		
Gas consumption	1,019	956
Owned transport	5	6
Total	1,024	962
Scope 2 emissions in metric tonnes CO2e		
Purchased electricity	909	1,007
Scope 3 emissions in metric tonnes CO2e		
Business travel in employee owned vehicles	17	39
Total gross emissions in metric tonnes CO2e	**1,950**	**2,008**
Intensity ratio		
Metric tonnes CO2e per student	0.37	0.38

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

Intensity ratio
The chosen intensity measurement ration is total gross emissions in metric tonnes CO2e per student.

FUTURE PROSPECTS AND DEVELOPMENTS

Property Strategy

The College through the Estates Strategy Group and FE Property Consultants, Peter Marsh Consulting Ltd (PMc) will continue to review, develop and implement its Property Strategy.

T Levels

During Summer 2020 the College spent £959k on refurbishment works at the South Downs campus to support the delivery of wave 1 T levels. This was complimented by a further £643k of capital spend during the summer of 2021 at South Downs and Alton campuses to refurbish classrooms to accommodate Digital Infrastructure, Health and Healthcare Science T Levels.

The College has recently been notified of its success in a bid for £2.55m of Wave 3 T Level Capital Funding. This funding will transform the 1st floor of the main building at the South Downs campus

during the Spring of 2022, in readiness for Engineering, Business and Finance T Levels in the 22/23 academic year. This is fully grant funded work and doesn't require a College contribution.

Transformation Fund

The College has recently submitted stage 2 of its bid for £4.981m of Further Education Capital Transformation funding. This funding will transform the 2nd floor of the main building, and the entire east building at South Downs Campus to further support the move towards T Level delivery in 23/24.

South Downs partial land sale

The College continues to work towards the sale of a portion of its South Downs campus, in a positive manner with its selected Property Developer, 'Places for People' . Contracts have been signed and PfP and the College are working to submit Planning applications, with an expectation of Planning determination by July 2022. The College expects to vacate the buildings and land by Easter 2022 in readiness for demolition.

COVID 19

The on-going uncertainties over COVID 19 may continue to have some degree of impact on College business, financially and operationally in 2021/22 and beyond. Whilst the College has all but returned to a normal routine it continues to risk assess the likelihood and impact of the pandemic and put in place mitigating actions as required.

Financial Plan 2021/22

Through the course of 2020/21 Governors recognised that the depletion of cash reserves over the last 3 years could not continue. To reset the College's financial position the Governors requested a Financial Sustainability Plan to be put in place. This plan sought to achieve in the region of £4m savings in a full year prior to the start of the 2021/22 financial year. Most of these savings would come from a transformative staff restructuring across all 3 campuses.

By 1st September 2021, all of the staff restructurings had been completed along with all of the Non-Pay savings. In a full year this has saved approximately £3.0m.

The college governors approved a financial plan on 30th June 2021 which sets objectives for the period to 31st July 2022. This plan sets a total income target of £35.2m (including deferred capital grant releases), up by £1.3m from 2020/21 because of increased 16-19 study programme funding arising from a significant increase in enrolments in September 2020 and the rebuilding of other income targets following the pandemic.

The pay budget is set at £25.7m, which includes funding for LGPS deficit repayment (£400k) and restructuring costs (£450k). The budget includes savings identified from the Financial Sustainability plan. No provision has been made for a pay award in 21/22.

Non-Pay budgets total £8.712m and depreciation £2.675m.

Education specific EBITDA is planned to be +£0.333m (20/21 -£0.555m), Financial Health is expected to be 'Requires Improvement' by 31st July 2022, and Staff to Income ratio is budgeted at 74.4%.

Financial Health

The College is currently assessed by the ESFA as having a 'Requires Improvement' financial health grade (based on its 2019/20 Financial Statements) and in January 2020 was issued with an 'Early Intervention' letter for deteriorating financial health. In December 2020 the College underwent a

Diagnostic Assessment with the Further Education Commissioner. The recommendations arising from this assessment have been implemented and monitored by the FEC who have returned for update visits in April and September 2021. The College continues to submit quarterly financial monitoring to the ESFA as a condition of its receipt of Restructuring Facility grant arising from the merger with Alton in 2019.

Treasury policies and objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements, 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.

Reserves

The College has no formal reserves policy but recognises the importance of reserves in the financial stability of the organisation and to ensure adequate funds to support College core activities. Details of the College's reserves are shown above. It is the corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Curriculum developments

The College's curriculum continues to develop dynamically in response to local needs, employer engagement and the College's strategic priorities. The first three T levels launched in September 2020 have seen growth in student numbers, and the second wave of T levels (in digital infrastructure, health and healthcare science) launched successful in September 2021 – in total, over 200 students are now studying T levels at the College. Planning is now underway for the third wave of T levels launching in September 2022 in Engineering, Business and Finance. The creative digital curriculum has also seen development and growth in Level 3 Gaming courses, which is fully expected to be accompanied by the successful launch of Level 3 Esports course in September 2022 – the development of which is currently underway, supported by industry professionals.

In partnership with Hampshire County Council, the College agreed to develop a specialist provision to support independence for SEND students at the Alton campus which will gradually see more students join the provision over the next three years.

During 2020-21 the College took a decision to bring the entire adult learning curriculum under one management structure which will allow for a more coherent and responsive approach to meeting local needs in the College's communities and to grow this provision in the coming years.

Expansion of Level 4 professional qualifications in the creative and performance sectors have been the most notable aspect of the development of higher education at the College, with plans underway to develop and achieve approval for a Higher Technical Qualification in STEM for September 2024.

PRINCIPAL RISKS AND UNCERTAINTIES:

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, aligned to the strategic objectives is maintained and is reviewed termly by Audit Committee and other governing sub committees. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect the college. Not all the factors are within the college's control. Other factors besides those listed below may also adversely affect the college.

Failure to improve the financial sustainability of the College

Like other FE Colleges, HSDC relies on continued government funding, primarily through the Education and the Skills Funding Agency. In 20/21 over 85% of College revenue came from publicly funded sources and although the College is actively working to reduce this reliance, and increase income from other sources, this high level of requirement is expected to continue in the immediate future. The College continues to have regular dialogue with the Education and the Skills Funding Agency in relation to this.

The College's confirmed financial health grade for 2019/20 is 'Requires Improvement'. The College estimates that it will receive a 'Requires Improvement' grading for 2020/21 and again for 2021/22. In January 2020 the College was issued with an 'Early Intervention' letter from the ESFA for deteriorating financial health. In December 2020 the College underwent a Diagnostic Assessment with the Further Education Commissioner. The recommendations arising from this assessment have been implemented and monitored by the FEC who have returned for update visits in April and September 2021.

At 31st July 2021, the college did not have any bank loans or debt. The College has seen falling cash reserves for the last 3 years and will need an overdraft facility in 2021/22 to support its cash position through the low funded months of February 22 to April 22. In addition, the College faces continuing pressure from National Insurance and Utility cost increases.

The College is mitigating this risk in several ways:

The College continues to put significant efforts into retaining learners from the September 2021 enrolment through to R04, and also into marketing it's courses for the 2022/23 enrolment to ensure that it makes every effort to grow market share and to enrol learners as part of the small demographic upturn that is coming over the next 4 years.

The College has implemented a significant programme of Pay and Non pay restructuring over the last 12 months that has saved in the region of £3m. This has turned around the recent years of reducing cash balances and deficit EBITDA. The future financial forecast for 2022/23 is to deliver 'Good' financial Health positive EBITDA and ongoing annual cash increases to support reinvestment in the College.

This risk is further mitigated by:

- rigorous budget setting procedures and sensitivity analysis.
- income diversification and growth.
- robust financial controls and budget monitoring.

Failure of Safeguarding Procedures

The potential for a failure in the College's safeguarding procedures is a fundamental risk for the college. This risk is mitigated in several ways:

- The College has robust and comprehensive policies and procedures in place, all linked to national guidelines. The policy is updated annually to reflect changes to the Government guidelines.
- There is a team of dedicated trained safeguarding leads, with training rolled out to all staff and governors.
- The College Designated Safeguarding Lead is supported by a number of Deputy Designated Safeguarding Leads. These include the campus Safeguarding Leads, the Deputy to the DSL, the Executive Team and the College Leadership Team. There is additional training in place for these post holders to equip them for the role.
- the College has a strong working relationship with wider agencies to support safeguarding practices.
- The College has confidential & secure safeguarding software, for referrals, monitoring and reporting.

Failure to maintain or improve the quality of teaching, learning and assessment

The College places the highest priority on ensuring quality provision in all its curriculum areas, and maintains a clear focus on monitoring performance at course level against national averages and three-year trends. The College has the following mitigating actions to address any possible reduction in the quality of teaching learning and assessment.

- A rigorous and robust Self-Assessment Review and Quality Improvement Plan framework that focuses on underperforming subjects areas and provides them with targeted support.
- All campuses use the same quality framework and cycle
- Strong curriculum design is in place to mitigate any course which is underperforming
- Course management is in place to drive improvements
- The College uses ProMonitor to to ensure excellent stakeholder awareness of student progress, this links students, parents/carers and teachers/tutors. Managers have excellent oversight of utilisation.

Failure to maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102 of £31.6 million (2019/20: £38.9 million). This amount is not required to be settled immediately but it is the long-term aim of the fund to eliminate the deficit over a period of 18 years.

Accounting for defined benefit pension schemes under FRS 102 is a risk as the Local Government Pension Scheme is not under the direct control of the College, being managed by bodies appointed by Hampshire County Council under the oversight of trustees appointed by Hampshire County Council and accounted for in accordance with the advice of independent qualified actuaries. Significant judgements are required in relation to assumptions for future salary increases, inflation, investment returns and member longevity that underpin their valuations. These valuations include current stock market values which are liable to change over a short term whereas the fund is for the longer term.

KEY PERFORMANCE INDICATORS

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College latest ESFA financial health rating is "Requires Improvement".

Financial Performance Indicators

Measure	2020/21 Budget	2020/21 Outturn	Status
Education Adjusted Earnings before ITDA	(£1.298m)	(£1.204m)	✓
Adjusted Current ratio	1.48	0.88	X
Average cash days	40.53	29.43	X
Borrowings	NIL	NIL	✓
Financial Health	Requires Improvement	Requires Improvement	✓
Staff to income ratio	78.26%	78.83%	X
16-19 ESFA funded learners	4,878	5,169	✓
Successful application and grant draw down of; • Wave 2 T Level • EM3 LEP IT Infrastructure • EM3 LEP Digital Gaming • Hamps CC Independent Living Centre • FE Condition Allocation	Successful	Successful	✓

Student achievements

Student achievements are an important performance indicator of the College's success in meeting the needs of learners, through high quality teaching, learning and support. Public examinations were cancelled in 2019/20 and 2020/21 due to COVID 19 with A level, GCSE and vocational subject grades awarded based on Centre Assessed Grades (2019/20) and Teacher Assessed Grades (2020/21). These results were better than 2018/19.

The Qualification Achievement Rates for the College in 2020/21 were projected to exceed 87% (this combines retention and pass rates) however, due to issues with students not attending functional skills exams in June 2021 (a national issue), this rate was lower than expected. With functional skills removed the qualification achievement rate for HSDC in 2020/21 met the 87% target. The QAR by campus was

- South Downs QAR 86.4% (without Functional Skills)
- Havant QAR 86.9%
- Alton 89.3%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting period 1 August 2020 to 31 July 2021, the College paid 69.2% per cent of its invoices within 30 days.

EQUALITY AND DIVERSITY

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, sex, gender reassignment, disability, religion or belief marriage, civil partnership, pregnancy & maternity and age. We strive vigorously to remove conditions which place people at a disadvantage, and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality & Diversity Policy is published on the College's internet site.

The College publishes an Annual Equality & Diversity Report and Equality & Diversity Action Plan to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality & diversity impact assessments on all new policies and procedures and publishes the results. Equality & diversity impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Disability Confident' employer and has committed to the principles and objectives of the Disability Confident standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Further information on Equality and Diversity at the college can be found on the college website at https://www.hsdc.ac.uk/life-at-hsdc/equality-diversity-and-inclusion/.

Gender Pay Gap Reporting

In line with all other organisations of more than 250 employees, HSDC is required to publish on its website specific calculations showing the difference between the pay for male and female employees. This requirement was introduced under the Equality Act (Gender Pay Gap Information) Regulations 2017.The gender pay balance at HSDC is typical of the sector but we continually strive for improvement. Our Gender Pay calculations show the following information

	Year ending 31 March 2020
Mean gender pay gap	13.6%
Median gender pay gap	20.5%
Mean bonus gender pay gap	0%
Median gender bonus gap	0%
Proportion of males/females receiving a bonus	0%/0%

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

	Males	Females
1 - Lower quartile	22.0%	78.0%
2	27.0%	73.0%
3	38.4%	61.6%
4 – Upper quartile	42.9%	57.1%

Disability statement

The college seeks to achieve the objectives set down in the Equality Act 2010, and in particular:

- The College considers all aspects of disability and access in planning executing its Property Strategy and Curriculum Plan.
- All campuses are wheelchair accessible with relevant adaptations made for learners with sensory impairments, including visual and auditory alarm systems, braille signage and BSL communicators as required.
- Specialist facilities include a sensory room, adapted toilets and personal care facilities, including hoists and a Braille printer.
- Additional learning support was provided for a significant number of full-time and part-time students in 2020/21 with High Needs, EHCPs and recognised additional learning needs. This included an Educational Psychologist, Specialist Teachers / Assessors, Learning Support Assistants, BSL communicators.
- Some learning support is also available to students who do not qualify for an EHCP / high needs funding, but have a recognised additional learning need. Learners can self-refer or be referred by other staff and undergo initial and diagnostic testing for potential SEND needs.
- A range of adaptive equipment and software is available to students with SEND needs.
- The College's Policy for students with SEND sets out objectives for initial guidance and assessment, entry and on-course support and progression.
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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.

Number of employees who were relevant union officials during the relevant period	FTE equivalent employee number
15	12.60

Percentage of time	Number of employees
0%	-
1-50%	15
51-99%	-
100%	-

Total cost of facility time £	£28,745
Total pay bill £	£27,424,493
Percentage of total bill spent on facility time	0.10%

Time spent on paid trade union activities as a percentage of total paid facility time	0%

GOING CONCERN

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

EVENTS AFTER THE REPORTING PERIOD

The College is selling a portion of its estate on the South Downs Campus. The College signed contracts with purchaser on 30th November 2021.

The College has arranged an overdraft facility with Barclays Bank to cover the period 1st January 2022 to 30th April 2022. As part of this arrangement the College has provided security to the bank on its Havant Campus.

The College has been notified of the award of the T Level wave 3 grant funding of £2.558m. This funding will provide for the complete refurbishment of the 1st floor of the main building at South Downs Campus. Work is expected to commence in November 2021.

DISCLOSURE OF INFORMATION TO THE 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 9th December 2021 and signed on its behalf by:

Clive Dobbin – Chair of Corporation

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

The ESFA requires colleges to comply with either the AoC's Code of Good Governance for English Colleges, the UK corporate code or the charity code.

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular, the College adopted and complied with the Association of Colleges Code of Good Governance for English Colleges. We have not adopted and, therefore, do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College has complied with all the provisions of the Code throughout the year ended 31 July 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in June 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

The members who served on the Corporation during the 2020/21 year and up to the date of signing were as listed in the table below:

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at Corporation Meetings (in the year 2020/2021)
Miss Abra Attoh	30/06/21	2 years		Student Governor	CQL Committee Student Committee	100%
Mr Matthew Atkinson	30/06/21	4 years		External Governor		n/a
Mrs Xin Austin	31/03/21	4 years		External Governor	Audit Committee	100%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at Corporation Meetings (in the year 2020/2021)
Dr Mike Bateman	1st August 2017 Reappointed 30th June 2021	4 years		External Governor	Corporation Chair wef 1 Aug 2017 Ex-officio member of all committees except Audit Committee	98%
Mr Kevin Bradshaw	3rd October 2019	3 years	30/06/21	Support Staff Governor	CQL Committee Student Committee	60%
Ms Fay Brown	2nd October 2017 Reappointed 16 Sept 2020	3 years	31/08/21	Teaching Staff Governor	CQL Committee HE Committee	73%
Dr Simon Claridge	1st August 2017 Reappointed 30th June 2021	4 years		External Governor	HR Committee Remuneration Committee HE Committee F&E Committee Estates Strategy Group (Chair)	100%
Ms Elizabeth Cooper	1st March 2019	4 years	30/03/21	External Governor	HR Committee	83%
Mr Clive Dobbin	14th December 2015 Reappointed 4th July 2019	4 years		External Governor	Vice-Chair (Dec 2017 to June 2021), HR Committee (Chair) Remuneration (Chair) Search & Governance (Chair) CQL Committee Audit Committee. Elected as Chair for the 21/22 year on the 30/06/21. In that capacity is ex-officio member of all committees except Audit.	96%
Ms Lucy Flannery	31 October 2016 Reappointed 16 Sept 2020	4 years		External Governor	CQL Committee Search & Governance Committee	100%
Mr Mike Gaston	20 April 2015	n/a		Principal	Ex-officio member of all committees except Audit and Remuneration Committees	100%
Mrs Elspeth Mackeggie Gurney	1st March 2019	4 years		External Governor	Audit Committee (01/08/20 until 16/12/20) Transferred to Finance & Estates Committee and was elected Chair in January 2021.	93%
Mrs Lorna Hayes	31/03/21	4 years		External Governor	Finance & Estates Committee	29%
Miss Morgan Howard	30/06/21	4 years		Student Governor	CQL Committee Student Committee	100%
Mrs Romy Jones	22nd March 2018	4 years		External Governor	CQL Committee (Chair) HE Committee p	88%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at Corporation Meetings (in the year 2020/2021)
Ms Lydia Morrison	2nd July 2018	4 years		External Governor	Audit Committee (Chair)	46%
Mr Kamlesh	31/03/21	4 years		External Governor	Finance & Estates Committee	71%
Mr Ashwin Patel	31/03/21	4 years	08/10/21	External Governor	Audit Committee	100%
Miss Jasmine Savill	30th March 2020	2 years	22/02/21	Student Governor	Student Committee CQL Committee	67%
Mr Fraser Wilson	1st March 2019	4 years	31/03/21	External Governor	CQL Committee	62%
Mr Joshua Winstanley	30th March 2020	2 years	30/06/21	Student Governor	Student Committee CQL Committee	100%
Mr Tony Wright	1st March 2019	4 years		External Governor	CQL Committee Search & Governance Committee. Elected Vice-Chair of Board for 21/22 year on 30/06/21. In that capacity, Search & Governance (Chair), Remuneration (Chair)	94%
Ms Jackie Eayrs was the Clerk for the period covered by these Financial Statements.						

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 environment issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has its terms of reference, which have been approved by the Corporation. During 2020/21 these committees were Finance and Estates; Curriculum Quality and Learning; HE, Student, Search and Governance; Remuneration; HR; and Audit. In addition, the Board established a separate Estates Strategy Group as a time-limited working group to oversee the implementation of the College's Estates Strategy.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at https://www.hsdc.ac.uk/governance-and-management/ or from the Clerk to the Corporation at:

Havant & South Downs College
College Road
Waterlooville
PO7 8AA

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

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

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

In 2018/2019, the Corporation reviewed its Policy on Expenses for Governors and Senior Postholders and a separate Policy was agreed. The Chair of the Corporation authorises all expenses for the Principal in accordance with this Policy.

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.

There have been no changes to the governance framework due to COVID 19. The Corporation and its Committees have continued to operate in the normal way with meetings taking place on a remote basis and members have continued to uphold their duties in the usual way.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance committee comprising the Principal, the Chair, the Vice Chair and two other Governors, which is responsible for the selection and nomination of any new member for the Corporation's consideration, in accordance with the Rules of Membership which are laid down in Annex 1 of the Standing Orders. The Corporation is responsible for ensuring that appropriate induction training is provided as required, including ensuring that all Governors are fully conversant with their duties in respect of Health & Safety, Equality & Diversity, Safeguarding and Prevent.

External Members of the Corporation are appointed for a term of office not exceeding four years, Staff Members for a three-year term of office and Student Members for a period not exceeding two years.

Corporation Self-Assessment

Governors monitor their own performance in a variety of ways, particularly with regard to the key criteria enshrined in the Code of Good Governance for English Colleges. The College adopted the voluntary Code of Good Governance for English Colleges (The Code) in 2015 and agreed that the key elements of the Code would be enshrined within the work of the committees. Each committee undertakes an annual review of performance against the key criteria as well as reviewing existing terms of reference. In the summer term 2020, further development of the annual review of Board performance against the Code was completed. This linked the key criteria in the Code with an evidence-based matrix and the Board's self-assessment activities.

The annual review was completed in the summer term 2021 and all of the committees concluded that the Board was complying with the key criteria in the Code of Good Governance. Although compliant, actions were identified to further enhance the Board's performance towards some aspects of the

Code. These actions were presented to the Board and formally approved at their 30th June 2021 meeting.

Governors have a clear Vision and Mission for the College. It is focussed on excellence, achieving high standards and ensuring effective support for learners, in the context of local and national priorities. Significant attention has been paid to monitoring academic performance to secure improvements with a clear focus on learner success and a culture of high aspirations and continuous improvement. Governors have a clear understanding of the College's strengths and areas for development, with strong relationships with senior managers, providing effective challenge and support.

Key legal duties are addressed effectively, and Governors are clear about roles and responsibilities. There is an effective framework for Safeguarding, with appropriate risk assessment and the College's Prevent Strategy has been fully implemented. Governors understand fully their duties to protect learners from radicalisation and extremism. The Board promotes Equality & Diversity fully. Financial oversight is highly effective, and Governors hold senior leaders to account for the effective deployment of resources for the benefit of learners.

Remuneration Committee

Throughout the year ending 31 July 2021, the College's Remuneration Committee comprised the Chair, Vice Chair (also Chair of the HR Committee), the Chair of Audit Committee and one other Governor. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

The Board adopted the AoC's Senior Staff Remuneration Code in Summer 2019 and an Annual Report will be presented to the Board at the Autumn term meeting each year.

Details of remuneration for the year ended 31 July 2021 are set out in note 7 to the financial statements.

Audit Committee

During the year, the Audit Committee comprised four members of the Corporation and a Co-option (excluding the Accounting Officer and the Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. There was one vacancy during the 2020/21 year.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, 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 Further Education funding bodies as they affect the College's business.

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

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

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

Finance & Estates Committee

The Finance & Estates Committee comprises five members of the Corporation (including the Accounting Officer) and operates in accordance with written terms of reference approved by the Corporation. The membership was increased to 7 members in March 2021 to further strengthen the skills and expertise on the Committee. One vacancy has existed for part of the 2020/21 year (1st August 2020 to 31st March 2021).

The Finance & Estates Committee meets on a termly basis and considers and determines matters of financial and estates strategy referred to it by the Accounting Officer and advises the Corporation accordingly.

The Finance & Estates Committee also considers proposals for the Corporation's annual estimates of income and expenditure and advises the Corporation accordingly; determines, on behalf of the Corporation, the framework for tuition fees and fee remission policy; considers any proposals for capital building projects in the light of any regulations or guidance from the Education and Skills Funding Agency, and monitors the progress and expenditure of any projects; and, where appropriate, determines any other matters relating to finance and estates referred to it by the Corporation and advises the Corporation accordingly.

The Board has also established an Estates Strategy Group, which is a time-limited working group, designed to support the effective implementation of the Board's Estates Strategy.

Human Resources (HR) Committee

The HR Committee comprises five members of the Corporation (including the Accounting Officer) and operates in accordance with written terms of reference approved by the Corporation.

The HR Committee meets on a termly basis and considers and determines matters of employment strategy referred to it by the Accounting Officer and advises the Corporation accordingly.

The HR Committee receives termly (or more frequently if it so wished) management information relating to staff and sets a framework for the pay and conditions for all staff other than the holders of senior posts.

Curriculum Quality & Learning Committee

The Curriculum Quality & Learning (CQL) Committee comprises up to 12 members of the Corporation (including the Accounting Officer) and operates in accordance with written terms of reference approved by the Corporation.

The CQL Committee meets on a termly basis and advises the Corporation regarding its responsibility for approving the quality strategy of the institution.

The CQL Committee also considers the College's annual Self-Assessment Report and Quality Improvement Plan; monitors student achievement, retention and success rates; is familiar with and keeps under review the College's curriculum profile; facilitates and encourages a culture which fosters

continuous improvement and supports students, teachers and support staff; and, where appropriate, determines any other matters relating to the curriculum, quality and performance.

Search & Governance Committee

The Search & Governance Committee comprises five members of the Corporation (including the Accounting Officer, the Chair and the Vice Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Search & Governance Committee meets termly or whenever vacancies determine additional meetings and advises on the appointment of members (other than as a staff or student member) and such other matters relating to membership and appointments as determined by the Corporation.

The Search & Governance Committee considers the skills profile of the Board at every meeting and seeks appropriate members to meet the required skills. Where appropriate, some new applicants are invited to be co-opted non-governor members on committees. The Committee considers the training and induction provided to members of the Board on an ongoing basis as well as succession planning.

Higher Education (HE) Committee

The HE Committee comprises 12 members, including the designated HE Governor Champion, 3 other Governors, representatives of HE and partner institutions and HE Student Reps. The HE Committee is responsible for the development and oversight of the Higher Education provision at the College, including:

- Strategy
- Curriculum development and renewal
- Quality and standards
- Policy, rules and regulations assurance

In June 2021, following recommendations arising from the Further Education Commissioner / Education and Training Foundation Board Review and the consideration of Governors at the May Governors' Conference, it was agreed that the HE Committee would cease to be a committee of the Corporation. As a result, it would continue to exist as an HE Advisory Board and would operate as an internal college committee with Governors, representatives from HE partner institutions and Employers with an HE background in the membership.

Student Committee

The Student Committee comprised a maximum of 15 members, including the Accounting Officer, Student Governors, the President/Vice-President and Secretary from each Campus Based Student Union (CBSU) 3 other Governors and up to 2 co-opted members. The Student Committee is required to lead the Corporation on all strategic and policy matters relating directly to student services and support, in accordance with the Articles of Government as well as forming part of the wider Learner Voice Framework.

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 Financial Memorandum between Havant & South Downs College and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Havant & South Downs College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

Havant & South Downs College has an internal audit service, which operates in accordance with the requirements of the Education and Skills Funding Agency'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 Service, which is commissioned from TIAA, provides the governing body with a report on internal audit activity in the College. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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, in their management letters and other reports.

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

The College Executive 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 College Executive team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on the 9th December 2021, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the College Executive team and internal audit and taking account of events since 31 July 2021.

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

Approved by order of the members of the Corporation on 9th December 2021 and signed on its behalf by:

Clive Dobbin – Chair of Corporation

Mr M Gaston – Principal & Accounting Officer

Statement on the College's Regularity, Propriety and Compliance with Funding body terms and conditions of funding

The corporation has considered its responsibility to notify the ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of grant funding agreements and contracts with the ESFA.

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

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

Clive Dobbin – Chair of Corporation

9th December 2021

Mr M Gaston – Principal & Accounting Officer

9th December 2021

Statement of Responsibilities of the Members of the Corporation

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

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

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

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

The corporation is also required to prepare a Members' Report which 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 proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy, at any time, the financial position of the College, and enable to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. They are also responsible for ensuring funds from Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

Approved by order of the members of the corporation on 9th December 2021 and signed on its behalf by:

Clive Dobbin – Chair of Corporation

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HAVANT & SOUTH DOWNS COLLEGE

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual 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 Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students' Accounts Direction
In our opinion, in all material respects:

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

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

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

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

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

Responsibilities of the Corporation of Havant and South Downs College
As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 29 to 30, 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 operates in and how the college is 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, and Regulatory Advice 9: Accounts Direction published by the Office for Students'. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

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 laws and regulations and inspected correspondence with licensing and regulatory authorities.

The audit engagement team identified the risk of management override of controls and risk of manipulation of Adult Education Budget funding 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 and testing of Adult Education Budget ILR records.

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 9 November 2021. 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
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

10/12/21
.....
Date

Statement of Comprehensive Income

	Notes	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
INCOME			
Funding body grants	2	30,104	27,502
ESFA restructuring facility grant	2	-	629
Tuition fees and education contracts	3	1,547	1,686
Other grants and contracts	4	1,417	1,315
Other income	5	1,633	2,445
Investment income	6	5	10
Total income		**34,708**	**33,587**
EXPENDITURE			
Staff costs	7	27,544	26,747
Staff restructuring costs	7	749	481
Other operating expenses	8	8,388	8,775
Depreciation and amortisation	11/12	2,832	2,636
Interest and other finance costs	9	584	583
Total expenditure		**40,097**	**39,222**
(Deficit) before other gains and losses and tax		**(5,389)**	**(5,635)**
Taxation	10	-	-
(Deficit) for the year		**(5,389)**	**(5,635)**
Actuarial gain/(loss) in respect of pension schemes		9,633	(13,745)
Total Comprehensive Income for the year		**4,244**	**(19,380)**
Represented by:			
Unrestricted comprehensive income		4,244	(19,380)
		4,244	**(19,380)**

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2019	1,901	9,889	11,790
Deficit from the income and expenditure account	(5,635)	-	(5,635)
Other comprehensive income	(13,745)	-	(13,745)
Transfers between revaluation and income and expenditure reserves	247	(247)	-
Total comprehensive income for the year	(19,133)	(247)	(7,590)
Balance at 31 July 2020	**(17,232)**	**9,642**	**(7,590)**
Deficit from the income and expenditure account	(5,389)	-	(5,389)
Other comprehensive income	9,633	-	9,633
Transfers between revaluation and income and expenditure reserves	247	(247)	-
Total comprehensive income for the year	**4,491**	**(247)**	**4,244**
Balance at 31 July 2021	**(12,740)**	**9,395**	**(3,345)**

Balance Sheet as at 31 July 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets	11	46,407	46,098
Intangible assets	12	3	18
		46,410	**46,116**
Current assets			
Stocks	13	11	7
Trade and other receivables	14	1,426	1,037
Cash and cash equivalents	18	2,764	3,380
		4,201	**4,424**
Creditors – amounts falling due within one year	15	(6,642)	(5,209)
Net current liabilities		**(2,440)**	**(785)**
Total assets less current liabilities		**43,969**	**45,331**
Creditors – amounts falling due after more than one year	16	(15,553)	(13,878)
Provisions			
Defined benefit pension scheme	17	(31,592)	(38,893)
Other provisions	17	(169)	(150)
Total net liabilities		**(3,345)**	**(7,590)**
Unrestricted reserves			
Income and expenditure account		(12,740)	(17,232)
Revaluation reserve		9,395	9,642
Total unrestricted reserves		**(3,345)**	**(7,590)**

The financial statements on pages 35 to 61 were approved and authorised for issue by the corporation on 9th December 2021 and were signed on its behalf on that date by:

Clive Dobbin

Chair of Corporation

Mr M Gaston

Accounting Officer

Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash flow from operating activities			
Deficit for the year		(5,389)	(5,635)
Adjustment for non cash items			
Depreciation and amortisation		2,832	2,636
Deferred capital grant release		(1,033)	(811)
(Increase)/decrease in stocks		(4)	-
(Increase) in debtors		(389)	46
Increase/(decrease) in creditors due within one year		1,180	260
Increase/(decrease) in creditors due after one year		-	-
Increase in provisions		(19)	19
Pensions costs less contributions payable		1,802	920
Reserves adjustment			
Adjustment for investing or financing activities			
Investment income		(5)	(10)
Interest payable		584	583
Restructuring facility grant to repay amounts borrowed		-	-
Loss on fixed asset disposal		-	-
Net cash flow from operating activities		**(441)**	**(1,992)**
Cash flows from investing activities			
Investment income		5	10
Capital grant receipts		3,092	1,314
Payments made to acquire fixed assets		(3,218)	(2,338)
		(121)	(1,014)
Cash flows from financing activities			
Interest paid		(54)	(85)
Restructuring facility grant to repay amounts borrowed		-	-
Repayments of amounts borrowed		-	-
		(54)	(85)
Increase/(Decrease) in cash and cash equivalents in the year		**(616)**	**(3,091)**
Cash and cash equivalents at beginning of the year	18	3,380	6,471
Cash and cash equivalents at end of the year	18	2,764	3,380

Notes to the Financial Statements

1. Accounting policies

Statement of accounting policies

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

General Information

Legal status

The Corporation was established in England under the Further and Higher Education Act 1992 for the purpose of conducting Havant & South Downs College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The Corporation was originally incorporated as The South Downs College.

Campuses

Havant & South Downs College has three campuses, as follows:

Havant Campus
New Road
Havant
PO9 1QL

South Downs Campus
College Road
Waterlooville
PO7 8AA

Alton Campus
Old Odiham Road
Alton
GU34 2LX

Basis of accounting

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (F & HE SORP 2019), the College Accounts Direction for 2020 to 2021, the Regulatory Advice 9: Accounts Direction issued by the 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) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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 whole £1,000, except where otherwise indicated.

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.

Basis of consolidation

In accordance with Financial Reporting Standard (FRS) 102, the activities of the student union have not been consolidated because the College does not control those activities.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the college, its cash flow and liquidity are presented in the Financial Statements and accompanying notes.

The College does not currently have any borrowings and has a reasonable cash balance at the year-end. On 31st July 2021, the College had net current liabilities of £2.440m (£0.785m at 31st July 2020). The increase primarily relates to £200k of Tuition fund carry forward, £185k of International fee income paid in advance, £170k of additional accruals, £250k of additional Bursary fund carry forward and a cash reduction of £616k. The College had a net liability position at 31st July 2021 of £3.345m (£7.590m at 31st July 2020). Within this is £31.6m (£38.9m at 31st July 2020) of LGPS pension deficit liability.

The College has identified the need for an overdraft facility between January 2022 and April 2022 and has put this in place with the help of Barclays Bank. The agreement of the overdraft facility (which is significantly greater than the actual requirement) along with significant savings identified and implemented from the College's Financial Sustainability Plan and the proposals agreed by Corporation in June 2021 for the 21/22 budget and 22/23 forecast demonstrate that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured for the period in line with best estimates of what is receivable and depend on the particular income stream involved. 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 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 less any clawbacks and is credited direct to the Statement of Comprehensive Income.

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 model as permitted by FRS 102.

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. 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.

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. 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.

Remeasurements comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit pension liability) are recognised immediately in actuarial gains and losses.

Short term Employment benefits

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

Termination benefits

Termination benefits are amounts payable as a result of a decision by the college to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy and are recognised as an expense in the year at the earlier of when the college can no longer withdraw the offer of those benefits or when the college recognises the costs for restructuring.

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 prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 15 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, some of which were revalued in 1993, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £2,500 per individual item, or group of related items, is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- technical equipment 5 years
- motor vehicles 5 years
- IT equipment 3 to 5 years
- furniture 5 years
- plant 7 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets include software purchased and development costs. These are typically amortised over a period of 5 years.

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. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

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 a finance lease obligation. 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.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective items.

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.

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 Group 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 a minor element 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 and expenditure 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. The actuary has used the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements (continued)

2 Funding body grants	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Recurrent grants		
Education and Skills Funding Agency - 16 to 18	24,462	22,278
Education and Skills Funding Agency - adult education budget	2,132	2,147
Education and Skills Funding Agency - apprenticeships	1,083	1,162
Office for Students	173	179
Specific Grants		
Administration of Learner Support Funds	30	30
Teacher Pension Scheme contribution grant	935	895
Education and Skills Funding Agency - Other	5	-
Education and Skills Funding Agency – Restructuring Facility	-	629
Releases of government capital grants	1,033	811
Specific grants – Coronavirus additional funding		
Education and Skills Funding Agency – 16 to 19 Tuition Fund	134	-
Education and Skills Funding Agency – Free School Meals	54	-
Education and Skills Funding Agency – COVID mass testing	63	-
Total	**30,104**	**28,131**

The corporation has been eligible to claim additional funding in year from government support schemes in response to the coronavirus outbreak.

Supplementary OfS disclosure	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Grant Income		
Grant income from the OfS (recurrent)	173	179
Grant income from the OfS (capital)	15	11
Fee Income		
Fee income for taught awards	919	1,050
Total	**1,107**	**1,240**

The above disclosure includes HE grant and fee income only.

3 Tuition fees and education contracts	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Adult education fees	839	873
Fees for FE loan supported courses	389	348
Fees for HE loan supported courses	62	126
International students' fees	46	37
Total tuition fees	1,337	1,384
Education contracts	210	302

Total	**1,547**	**1,686**

Notes to the Financial Statements (continued)

4 Other grants and contracts	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Other grants and contracts	1,217	1,030
Coronavirus Job Retention Scheme grant	201	285
Total	**1,417**	**1,315**

The corporation furloughed 109 employees from curriculum support, commercial and other support functions under the government's Coronavirus Job Retention Scheme. The funding received of £201k relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Catering and residences	498	764
Student travel and trips	269	647
Nursery income	645	580
Exam fees	29	83
Other income generating activities	192	371
Total	**1,633**	**2,445**

6 Investment income	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Other interest receivable	5	10
Total	**5**	**10**

Notes to the Financial Statements (continued)

7 Staff costs

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

	2021	2020
	No.	No.
Teaching staff	389	434
Non-teaching staff	478	520
	867	**954**

Staff costs for the above persons	£'000	£'000
Wages and salaries	19,187	19,345
Social security costs	1,789	1,776
Other pension costs	6,448	5,425
Payroll sub-total	**27,424**	**26,546**
Contracted out staffing services	119	201
	27,544	**26,747**
Restructuring costs - contractual	603	376
Restructuring costs - non-contractual	145	105
	28,293	**27,228**

Contractual payments were approved by the corporation.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the college and are represented by the Senior Leadership Team which comprises the Principal, Deputy Principal, Vice Principals, and Head of Centre Alton.

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

	2021	2020
	No.	No.
The number of key management personnel including the Accounting Officer was:	8	7

The total of eight key management personnel includes two people who job share as well as two personnel who left during the year.

Notes to the Financial Statements (continued)

7 Staff costs (continued)

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

	Key management personnel	
	2021	**2020**
£15,001 to £20,000	-	1
£20,001 to £25,000	1	-
£45,001 to £50,000	1	1
£65,001 to £70,000	2	2
£80,001 to £85,000	2	1
£85,001 to £90,000	1	1
£140,001 to £145,000	1	1
	8	**7**

The above table discloses bandings on an annual salary basis. Should they be disclosed on an FTE basis, this would move 1 personnel from the £20,001 to £25,000 band to the £70,001 to £75,000 band, and one from the £45,001 to £50,000 band to the £65,001 to £70,000 band.

In addition to the key management personnel above is one other member of staff whose annual emoluments, which include an annually reviewed market supplement, would be included in band £60,000 to £65,000 (2019/20 one other member of staff in band £60,000 to £65,000).

Key management personnel compensation is made up as follows:

	2021	**2020**
	£'000	**£'000**
Basic salary	603	531
Honorarium	-	5
Employers National Insurance Contributions	71	61
Benefits in kind	-	-
	674	**598**
Pension contributions	150	123
Total emoluments	**824**	**721**

There were no salary sacrifice arrangements in place for key management personnel in the year.

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

	2021	**2020**
	£'000	**£'000**
Basic salary	145	145
Performance related pay and bonus	-	5
Benefits in kind	-	-
	145	**150**

Pension contributions	34	34

Notes to the Financial Statements (continued)

7 Staff costs (continued)

The Corporation adopted the AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles in future and sector benchmarking. The remuneration package of senior postholders, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the Corporation who justify the remuneration in accordance with the Corporation's Remuneration Policy for Senior Postholders and the Clerk to the Corporation. The purpose of this Policy is to provide a coherent framework for the determination and annual review of the pay of senior postholders and the Clerk that is fair, transparent and equitable.

For the Principal and Chief Executive (Accounting Officer) the level of remuneration is justified by the Remuneration Committee in recognition of his outstanding leadership in addressing the following matters in a year without precedence:

- the successful lead on two strategic mergers over the last 4 years (August 2017 and March 2019);
- a prior year Ofsted Inspection (March 2020) which awarded the College a 'Good' graded outcome with 'Outstanding' features (Adult Learning);
- COVID19 and all the additional work that had entailed;
- the move to online delivery as a result of COVID19 and the strong support to staff;
- the introduction of the Centre Assessed Grade (CAG) process in 2020 and the Teacher Assessed Grade (TAG) process in 2021 and the additional work that had entailed;
- the success of HSDC being a T Level pilot launch organisation from September 2020;
- delivery of the capital programme to ensure T levels could begin in September 2020;
- the progress which had been achieved in the delivery of the Drive to 25 Strategic Objectives;
- recognition of the increased size and complexity of the postholder's role in leading HSDC over 3 educational campuses.

At the meeting of the Remuneration Committee on the 26th November 2020, having reviewed the AoC Salary benchmark data (2019), members concluded that the salary of the Principal was between the median and upper quartile for colleges in 'the South' but was behind the median for all colleges.

Relationship of Principal pay and remuneration expressed as a multiple

	2021	2020
Principal basic salary as a multiple of the median of all staff	4.5	4.6
Principal total remuneration as a multiple of the median of all staff	4.6	4.8

Compensation for loss of office paid to former key management personnel

No Compensation for loss of office was paid in 2020/21

Notes to the Financial Statements (continued)

8 Other operating expenses	2021 £'000	2020 £'000
Teaching costs	675	1,807
Non-teaching costs	4,369	3,622
Premises costs	1,091	858
Exam costs	2,253	2,488
Total	**8,388**	**8,775**

Other operating expenses include:	2021 £'000	2020 £'000
Auditors' remuneration (incl VAT):		
Financial statements audit	58	58
Funding review audit	1	1
Teachers' pension audit	5	5
Internal audit	11	11
Hire of assets under operating leases	194	234
Depreciation	2,817	2,636

9 Interest and other finance costs	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
On finance leases	54	85
Net interest on defined pension liability (Note 22)	530	498
Total	**584**	**583**

10 Taxation

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

Notes to the Financial Statements (continued)

11 Tangible fixed assets

	Land and Buildings Freehold £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2020	67,122	9,399	1,010	77,531
Additions	2,239	611	277	3,127
Disposals	-	-	-	-
Transfers	212	-	(212)	-
At 31 July 2021	**69,573**	**10,009**	**1,075**	**80,658**
Depreciation				
At 1 August 2020	24,169	7,264	-	31,434
Charge for the year	1,641	1,176	-	2,817
Elimination in respect of disposals	-	-	-	-
At 31 July 2021	**25,811**	**8,440**	-	**34,251**
Net book value at 31 July 2021	**43,762**	**1,569**	**1,075**	**46,407**
Net book value at 31 July 2020	42,953	2,135	1,010	46,098

Land and buildings were valued in 1993 at depreciated replacement cost by AYH, a firm of independent chartered surveyors and the transitional provisions of FRS 102 adopted to use previous valuation as deemed cost on initial adoption of FRS 102.

The net book value of equipment includes an amount of £596k in respect of assets held under finance leases. The depreciation charge for the year on these assets for the year was £721k (2020 £593k).

If fixed assets had not be revalued before being deemed as cost on transition, they would have been included at the following historical cost amounts;

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	**Nil**

Notes to the Financial Statements (continued)

12 Intangible assets

	Total £'000
Cost or valuation	
At 1 August 2020	73
Disposals	-
At 31 July 2021	**73**
Amortisation	
At 1 August 2020	55
Charge for the year	15
At 31 July 2021	**70**
Net book value at 31 July 2021	**3**
Net book value at 31 July 2020	18

13 Stock

	2021 £'000	2020 £'000
Stock	11	7
Total	**11**	**7**

14 Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade receivables	530	47
Prepayments and accrued income	639	445
Amounts owed by the ESFA	19	57
Other debtors	238	488
Total	**1,426**	**1,037**

Notes to the Financial Statements (continued)

15 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Obligations under finance leases	364	303
Trade creditors	926	828
Other creditors	717	604
Other taxation and social security	397	429
Accruals and deferred income	2,265	1,804
Deferred income - government capital grants	977	785
Deferred income - government revenue grants	52	20
Amounts owed to the ESFA	944	436
Total	**6,642**	**5,209**

16 Creditors: amounts falling due after one year

	2021	2020
	£'000	£'000
Obligations under finance leases	172	326
Deferred income - government capital grants	15,381	13,552
Total	**15,554**	**13,878**

17 Provisions

	Defined benefit obligations	Dilapidations provision	Total
	£'000	£'000	£'000
At 1 August 2020	38,893	150	39,043
Expenditure in period	(2,183)	-	(2,183)
Additions in period	(5,118)	19	(5,099)
At 31 July 2021	**31,592**	**169**	**31,761**

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in Note 22.

Dilapidations provision relates to the replacement of a 3G Astro Turf surface which has a life expectancy of 12 years. It was installed in 2012 giving an expected crystallisation of the provision in 2024.

Notes to the Financial Statements (continued)

18 Cash and cash equivalents

	At 1 August 2020 £'000	Cash flows £'000	New finance leases £'000	At 31 July 2021 £'000
Cash and cash equivalents	3,380	(616)	-	2,764
Obligations under finance leases	(629)	377	(284)	(536)
Total	**2,751**	**(239)**	**(284)**	**2,228**

19 Capital commitments

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	1,034	491
Total	**1,034**	**491**

20 Lease obligations

Operating Leases

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

	2021 £'000	2020 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	41	41
Later than one year and not later than five years	31	69
Later than five years	77	81
Total	**149**	**191**
Other		
Not later than one year	144	88
Later than one year and not later than five years	202	120
Later than five years	-	-
Total	**346**	**208**

Notes to the Financial Statements (continued)

20 Lease obligations (continued)

Finance Leases

At 31 July the College had minimum lease payments under finance leases as follows:

	2021 £'000	2020 £'000
Future minimum lease payments due		
Not later than one year	364	303
Later than one year and not later than five years	172	326
Later than five years	-	-
Total	**536**	**629**

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

21 Events after the reporting period

There are no events after the reporting period.

22 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, which is managed by Hampshire County Council. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year	**2021**		**2020**	
	£'000	**£'000**	**£'000**	**£'000**
Teachers' Pension Scheme: contributions paid		2,598		2,440
Local Government Pension Scheme:				
Contributions paid	2,049		2,065	
FRS 102 (28) charge	1,802		920	
Charge to the Statement of Comprehensive Income		3,851		2,985
Total Pension Cost for Year		**6,449**		**5,425**

Teachers' Pension Scheme

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

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

The Teachers' Pension Budgeting and Valuation Account

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 below 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.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020/21 academic year and through to March 2022. The next valuation result is due to be implemented from 1 April 2023.

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

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 contributions made for the year ended 31 July 2021 were £2,605,000 of which employer's contributions totalled £2,183,000 and employees' contributions totalled £422,000. The agreed College contribution rate for future years is 24.1% from April 2020. It ranges from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Due to the scheme being in deficit additional contributions are made by the College as a fixed amount to reduce the deficit, the target recovery period being 16 years.

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31st March 2019 updated to 31st July 2021 by a qualified independent actuary.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.6%	3.3%
Future pensions increases	2.6%	2.3%
Discount rate for scheme liabilities	1.7%	1.4%
Inflation assumption (CPI)	2.6%	2.3%

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. The life expectancies at age 65 resulting from these mortality assumptions are:

	At 31 July 2020 Years	At 31 July 2020 Years
Retiring today		
Males	23.10	23.00
Females	25.50	25.50
Retiring in 20 years		
Males	24.80	24.70
Females	27.30	27.20

The college's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Fair Value 2021 £'000	Fair Value 2020 £'000
Equities	34,546	27,276
Bonds	10,203	10,315
Property	3,699	3,025
Cash	597	793
Other	10,620	8,183
Total fair value of assets	**59,665**	**49,592**
Actual return on plan assets	**8,896**	**370**

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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

	2021 £'000	2020 £'000
Fair value of plan assets	59,665	49,592
Present value of plan liabilities	(91,257)	(88,485)
Net pensions liability (Note 18)	**(31,592)**	**(38,893)**

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	3,865	2,932
Past service cost	120	180
Total	**3,985**	**3,112**
Amounts included in interest payable		
Net interest charge	530	498
	530	**498**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	8,193	(703)
Experience gains/(losses) arising on defined benefit obligations	1,440	(13,042)
Changes in assumptions underlying the present value of the plans liabilities	-	-
Amount recognised in Other Comprehensive Income	**9,633**	**(13,745)**

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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

	2021 £'000	2020 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(38,893)	(23,730)
Movement in year:		
Current service cost	(3,865)	(2,932)
Employer contributions	2,183	2,192
Past service cost	-	(180)
Curtailment cost	(120)	-
Net interest on the defined (liability)/asset	(530)	(498)
Actuarial gain/(loss)	9,633	(13,745)
Net defined benefit liability 31 July	**(31,592)**	**(38,893)**

Asset and Liability Reconciliation

	2021 £'000	2020 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	88,485	72,020
Current Service cost	3,865	2,932
Interest cost	1,233	1,571
Contributions by Scheme participants	422	434
Experience (gains)/losses on defined benefit obligations	(1,440)	13,042
Changes in financial assumptions	-	-
Estimated benefits paid	(1,428)	(1,694)
Past Service cost	-	180
Curtailment cost	120	-
Defined benefit obligations at end of period	**91,257**	**88,485**

	2021 £'000	2020 £'000
Change in fair value of plan benefits		
Fair value of plan assets at start of period	49,592	48,290
Interest on plan assets	703	1,073
Return/(loss) on plan assets	8,193	(703)
Employer contributions	2,183	2,192
Contributions by Scheme participants	422	434
Estimated benefits paid	(1,428)	(1,694)
Fair value of assets at end of period	**59,665**	**49,592**

Notes to the Financial Statements (continued)

23 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 are no related party transactions to report for the year (2020: £Nil).

The total expenses paid to or on behalf of the Governors during the year was £NiL (2020: £39). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the college or its subsidiaries during the year (2020: £Nil).

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF HAVANT AND SOUTH DOWNS 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 9 November 2021 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency ("ESFA"), or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Havant and South Downs College during the period 1 August 2020 to 31 July 2021 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

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

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

Responsibilities of corporation of Havant and South Downs College for regularity

The corporation of Havant and South Downs 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 Havant and South Downs College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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

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

matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.
We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.
This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report
This report is made solely to the Corporation of Havant and South Downs 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 Havant and South Downs 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 Havant and South Downs College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

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10/12/21