



**Annual Report & Financial Statements**  
**for the year ended 31 July 2023**

## Reference and Administrative Details

### Key management personnel

Key management personnel are defined as members of the Executive Leadership Team and were represented by the following in 2022/23:

Mike Gaston - Principal and CEO; Accounting Officer

Richard Barlow – Deputy Principal

Dominic Asater – Deputy Principal (Finance & Facilities)

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

Leona Berry - Vice Principal (Organisational Development & People)

### Board of Governors

A full list of Governors is given on pages 19 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:

Bishop Fleming, Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon, EX1 3QS

#### Internal auditors:

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

#### Bankers:

Barclays Bank plc, PO Box 612, Ocean Village, Southampton, SO14 2ZP

#### 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

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## 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 2023.

#### 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 853 people (expressed as average headcount) in 2022/23, of whom 382 were teaching staff.

In 2022/23 the College had various learner cohorts

16-18-year-old FE learners	4,934
19+ Learners	50
Adult part time learners	1,026
Apprentices	352
HE Learners	265
14-16 learners	118
International Learners	59
Distance Learning Partnership	322
Subcontracted Learners	379
<b>Total Learners</b>	<b>7,505</b>

The College has £28.3 million of net assets. 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 2023 is £49.15 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.
- local communities.
- local unitary and shire councils and Local Enterprise Partnerships (Solent, EM3) and the chambers of commerce.

## 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 18 to 21. 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 7,500 learners, including approximately 200 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 enrolls 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 2022/23 the College set the following objectives

	Budget	Outturn
• Education specific EBITDA	5.1%	4.31%
• Staff to turnover ratio	70.0%	68.86%
• to manage the College's cashflow, to not require the use of an overdraft facility - Achieved		
• to continue to invest in the College estate (maximising grant and minimising college contribution) – Achieved – See more detailed commentary below in 'Future Prospects and Developments'		
• Unqualified External Audit opinion – Achieved		
• Financial Health of 'Requires Improvement' or better - Achieved		

### Financial Results – Income and Expenditure

In 2022/23 HSDC budgeted for a £1.984m surplus of earnings before interest, tax, depreciation and amortisation (Education EBITDA).

The 2022/23 Financial Statements show the College ended the year with a £6.774m surplus. Once adjustments have been made for deferred capital grant, depreciation, interest and FRS102 pension

changes the College is reporting a £1.692m education specific EBITDA, a deterioration of £288k over the budget set by Corporation in July 2022. These adjustments are shown in the following table.

	£'000
<b>SOCI Total Surplus 22/23</b>	<b>6,774</b>
Deduct Actuarial Gain on LGPS	-6,957
<b>SOCI Deficit before other gains and losses</b>	<b>-183</b>
Add Back FRS102 Pensions costs in Pay	31
Add Back Depreciation	2,671
Add Back Interest	303
Deduct Deferred Capital Grant	-1,100
Other Minor adjustments	-30
<b>Surplus EBITDA for Financial Health Calculation</b>	<b>1,692</b>

The College continues to have significant reliance on the education sector funding bodies for its principal funding sources, largely from recurrent grants. In 2022/23, FE funding bodies provided 86.3% of the college's total income.

The College saw headline income (including Deferred Capital Grant) of £40.900m a rise of £3.940m over 21/22 (£36.960m).

After several years when staffing costs have been at unsustainably high levels and significantly above FE sector norms, the College has now brought its pay costs under control. Pay outturned at £27.073m or 68.86% of income (70.2% 21/22), which is below the FE Commissioners recommended target for FE Colleges of 70%. In September 2022, the College gave a range of pay awards between 6% and 2%, with all Teaching staff receiving at least 3%. In addition, the college gave a one-off payment of £500 for salaries up to £25k and £400 for those above £25k.

Employers' contributions to Local Government and Teachers Pensions schemes continue to be a significant cost burden to the College. The College receives Teachers Pension Support grant to help fund the September 2019 increase in contributions from 16.4% to 23.6%. The Local Government Pension Scheme employers' contribution rate was 26.5% of basic salaries in 2022/23.

Non-pay costs out turned at £11.036m a year-on-year increase of £1.182m mostly driven by increased catering, utility and educational visit costs. Key variances to the budgeted EBITDA are:

	£'000
<b>Original EBITDA Budget 2022/23</b>	<b>1,984</b>
Creche Income	-130
Lettings Income	325
Other Grant Income	523
Catering Income	129
Pay overspend (including an overestimate of the cost of redundancies)	-69
Non-Pay overspend (Catering / Exam costs / International residential costs)	-1,048
Other variances	-22
<b>Outturn EBITDA 2021/22</b>	<b>1,692</b>

### Financial Results – Balance Sheet

The College holds net tangible fixed assets (after depreciation) at 31<sup>st</sup> July 2023 of £49.15m (£48.3m in 2021/22). Additions during the year amounted to £3.508m, of which £2.618m was funded by grant. This was split £1.455m Buildings and £1.404m Equipment.

The main asset additions were the refurbishment of parts of the South Downs campus to support the T Levels in Catering and refurbishments at the Alton Campus to support T Levels in Construction, Creative and Early Years. This was funded by Wave 4 T Level grant (£2.3m). The College also upgraded its South Downs Engineering facilities to the latest industry specifications including new equipment funded by £2.5m of grant from the Solent Institute of Technology.

The College LGPS defined benefit pension liability, valued annually by Actuaries, reduced from £6.759m in 2021/22 to nil in 2022/23 an improvement of £6.759m. The actuarial report states a net surplus for 2022/23, but the College has not recognised any asset in the accounts. This is a national and sectoral issue reflective of the fluctuating economic outlook and the impact of asset performance of the scheme. There is no direct effect on the College's finances.

### Financial Results - Benchmarks

The Financial Health of the College in 2022/23 is estimated as 'Requires Improvement' (21/22 'Requires Improvement').

The Staff Cost to Turnover ratio was 68.86%, down on the 70.3% in 2021/22. This was in part due to an overall increase in income streams, the completion and implementation of the College's Financial Sustainability Plan in 2020/21 and pay underspends arising from difficulties experienced in recruitment in 2021/22.

Adjusted earnings before Interest, tax, depreciation and amortisation (adjusted EBITDA) was 4.31% of adjusted turnover, an improvement on the 3.44% in 2021/22.

### Financial Results - Cash flows and liquidity

The net cash inflow from activities in 2022/23 was £3.634m a significant improvement on the £616k inflow in 2021/22. The College cash balance at the year-end was £7.015m, of which £3,943k is restricted, with no borrowings.

### Reserves

At 31<sup>st</sup> July 2023 the College had £28.33m reserves. The College wishes to continue to accumulate and protect its reserves by growing its cash reserves by generating an annual operating cash surplus to enable reinvestment in College infrastructure.

### 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 2022/23 the College's Environmental Sustainability Committee began 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 2022 to 31 July 2023	1 August 2021 to 31 July 2022
Energy consumption used to calculate emissions (kWh)	8,664,444	9,267,700



<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	807	897
Owned transport	9	10
Total	816	907
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	834	807
<u>Scope 3 emissions in metric tonnes CO2e</u>		
Business travel in employee-owned vehicles	50	39
<b>Total gross emissions in metric tonnes CO2e</b>	<b>1,700</b>	<b>1,754</b>
<u>Intensity ratio</u>		
Metric tonnes CO2e per student	0.23	0.23
<b>Qualification and reporting methodology</b> We have followed the 2023 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2023 UK Government’s Conversion Factors for Company Reporting.		
<b>Intensity ratio</b> 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 Estates Strategy.

### **T Levels (Waves 4 and 5)**

Over the last 4 years, the College has been successful in various bids for T Level capital funding. During 2022/23 the College completed £2.075m of capital works and equipment purchases for various buildings at its Alton campus in support of T levels in Construction, Creative Design and Early Years. It also completed £1.059m of capital works and equipment purchases at South Downs Campus in support of T Levels in Catering. The majority of the cost of these works was funded by T Level Wave 4 Grant.

The College has also been successful in securing £578k of T Level Wave 5 grant funding to refurbish classrooms on the second floor of the South Downs Campus main building in readiness for Creative Design T levels commencing in September 2024.

### **Institute of Technology (IoT)**

During the Summer of 2023 the College completed the refurbishment of 963m<sup>2</sup> of its South Downs East Building to accommodate courses in Engineering, Manufacturing Technologies, Transportation Operations and maintenance and ICT practitioners. This funding was part of the Solent Institute of Technology. In total the scheme cost £2.618m and was 100% grant funded.

**Transformation Fund**

In April 2023 the College was notified of £11.6m of Transformation Funding to reduce the proportion of the college estate that is in unsatisfactory condition. This funding has to be spent by March 2026. The first tranche of funding (£2.721m) was received in May 2023, with the remaining funds to be received in May 2024. The College has been developing several projects across all 3 campuses and hopes to begin work on the first of these projects at the South Downs campus with the complete refurbishment of second floor of its main building in readiness for September 2024. Other projects will be scoped and delivered through 2024/25 and up to March 2026.

**Post 16 Capacity Fund**

In May 2023 the College was notified of £3.5m of Post 16 Capacity funding to support the building of a new 790m<sup>2</sup> general purpose classroom block on its Havant campus. The College is currently seeking planning permission for these works with an anticipated opening at Easter 2025

**FE Reclassification Fund**

In March 2023 the college was notified of £945k Reclassification capital funding to be spent on capital projects, prioritising the condition improvement of the college's estate.

**Energy Efficiency Grant**

In December 2022 the college was notified of £377k capital funding to be used on measures that improve the energy efficiency of the College estate. The funds were received in January 2023 and need to be spent by 31 March 2025.

**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 have submitted Planning applications. The College has vacated the South and South East buildings and land in readiness for demolition.

**Current and future capital funding bids**

The College does not have any outstanding capital bids but will continue to bid for capital grants as and when they become available.

**Financial Plan 2023/24**

The college governors approved a financial plan on 10th July 2023 which set objectives for the period to 31<sup>st</sup> July 2024. This plan estimates a total income target of £39.2m (including deferred capital grant releases), down by £0.7m from 2022/23 arising from reduced 16-19 study programme learners, an increase to the 16-19 study programme funding rates and an increase in various other funding streams.

The pay budget is set at £27.2m, which includes funding for LGPS deficit repayment (£370k) and restructuring costs (£100k).

The College is also budgeting for Non-Pay at £10.0m and depreciation at £2.7m.

Education specific EBITDA is planned to be +£0.761m (22/23 – Out turn £1.692m), Financial Health is budgeted to be 'Good' at 31<sup>st</sup> July 2023 and Pay to Income ratio is budgeted at 72.1%.

In September 23, the college was notified of an additional £1.255m of 16-19 study programme income which the college has proposed to allocate in full to support a pay award for all staff. This change is

expected to return the College to 'Requires Improvement' Financial Health for the 2023/24 financial year.

In October 2023 the Department for Education published the outcome of the valuation of the Teachers' Pension Scheme based upon 2020 data. The outcome confirms a need to increase the employer contribution rate from 23.68% by 5% to 28.6% from 1 April 2024 to ensure that the Scheme continues to meet present and future obligations.

The Department has stated that it will provide additional funding to cover the increase in the employer contribution rate for directly funded scheme employers for the financial year 2024/25. This includes post-16 and further education settings.

### **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 described above and shown in the Statement of Reserves. 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 be highly responsive to local, regional and national needs and priorities, with significantly strong employer engagement and partnerships with other providers. This has delivered significant benefits in terms of the opportunities for students, the professional development of staff, and investment in both capital projects and equipment. The College remains the largest provider of full-time education to 16–18 year-olds in the county, with over 4000 student studying courses from Entry level up to A levels and T levels. Since 2020 the College has been recognised as a leading college for T levels and is now also a key FE partner within the South Coast Institute of Technology, therefore making a significant contribution to the need for technical skills across a range of sectors in the region. The College also plays a vital role in education SEND students, with nearly 400 of its students having EHCPs and over 150 designated as High Needs Students. The College's apprenticeship provision has seen positive development and growth in recent years and has retained its 'Excellent' rating for employer satisfaction (HSDC being the only GFE college in the region to achieve this). The College's adult learning provision continues to successfully meet the specific needs of local communities, particularly in Portsmouth and Havant, and increasingly in Alton & the surrounding areas.

### **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, updated and reviewed termly by Executive, 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.

#### **Significant reductions in enrolled learners in September 2023**

The College saw a reduction in 16-19 learners at its September 2023. The College is putting significant effort into retaining these learners through to R04. Whilst this reduction will present a financial challenge to the College in setting its 2024/25 budget it has relatively recent experience of delivering similar levels of cost reduction and expects to secure a financially sustainable outcome over a two-year horizon. Whilst this will require short term cost reductions the college is working hard to ensure that future years' enrolments (September 24 and 25) see increases in learner numbers and growth in market share.

Despite this, there remains a risk that learner numbers may continue to fall in 2024 and that funding will reduce further in future years.

#### **Failure to maintain 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 2022/23 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 2021/22 was 'Requires Improvement'. The College estimates that it will receive a 'Requires Improvement' financial health grading for its 2022/23 accounts and has budgeted for 'Good' financial health in 2023/24 but now expects to outturn with a further 'Requires Improvement' grading.

At 31<sup>st</sup> July 2023, the college did not have any bank loans or debt. The College has seen slowly increasing cash reserves in the 2 years. Despite this the College still faces significant pressure from pay, employers' contributions to pension schemes, rising utility costs and other significant inflationary pressures.

The College is mitigating this risk in several ways:

- 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 several 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 subject 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 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 £0 (2021: £6.759 million).

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 sector benchmarks. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA).

## Financial Performance Indicators

Measure	Sector Benchmark	2022/23 Budget	2022/23 Outturn	RAG
Education Adjusted EBITDA	3-5%	5.1%	4.3%	Below Budget but within Sector benchmark
Adjusted Current ratio	>1.4	1.2%	0.8%	
Average cash days	>25	37	27	Below Budget but within Sector benchmark
Borrowings	<40%	0.9%	0.9%	
Financial Health	Good / Outstanding	Good	Requires Improvement	
Staff to income ratio	<70%	70.0%	68.9%	
16-19 ESFA funded learners		5,342	4,934	
Successful application and grant draw down:				
<ul style="list-style-type: none"> <li>Transformation Fund (£11.6m)</li> <li>Post 16 Capacity Fund (£3.5m)</li> <li>T Level Wave 4 (£2.3m)</li> <li>IoT (£2.6m)</li> <li>ONS Reclassification (£0.9m)</li> <li>Energy Efficiency (£0.4m)</li> </ul>				

## Student achievement rates

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

As students completing their courses in 2022 - 23 had not had the experience of formal examinations (GCSEs), they experienced underachievement compared with the target Qualification Achievement Rate of 87%. The student achievement rate of 81% in 2022-23 can also be explained by an increase in student wellbeing issues due to the pressure of return to 'normal' education following the pandemic, having to address knowledge gaps due to missed learning and having to experience the challenge of formal exams. Despite these challenges, pass rates remained broadly in line with 2018/19, the last pre-pandemic year.

## 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 2021 to 31 July 2022, the College paid 69.7% per cent of its invoices within 30 days.

## **EQUALITY AND DIVERSITY**

### **Equality**

HSDC is an inclusive college. We are committed to realising the ambitions of our communities by raising aspirations, enabling achievement, and fulfilling dreams. We promote equity, diversity, and inclusion. We change lives through education and learning. We empower people to always bring their full, authentic self to college. We celebrate difference. We actively challenge behaviour that does not align with our values of being an inclusive college. We are proud of our positive relationships within college, and with the local, national, and international communities we serve. We treat everyone with dignity and respect. 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 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 and reasonable adjustments made and that opportunities are accessible by all.

Further information on Equality and Diversity at the college can be found on the college website at <https://www.hsdac.ac.uk/life-at-hsdac/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 2022
Mean gender pay gap	12.46%
Median gender pay gap	23.02%
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	25.00%	75.00%
2	23.47%	76.53%
3	33.67%	66.33%
4 – Upper quartile	50.51%	49.49%

**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
6	4.87

Percentage of time	Number of employees
0%	-
1-50%	6
51-99%	-
100%	-

Total cost of facility time £	£29,604
Total pay bill £	£26,987,699
Percentage of total bill spent on facility time	0.11%

Time spent on paid trade union activities as a percentage of total paid facility time	0%
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### **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 recruited fewer learners in September 2023 and this will have an impact on funding in the 2024/25 financial year. The college is working hard to ensure that this does not have a significant impact on its financial health in future years.

The College is selling a portion of its estate on the South Downs Campus. The College signed contracts with purchaser on 30<sup>th</sup> November 2021 and it is expecting planning determination to be finalised before the end of the 2023/24 financial year.

The College has been notified of a number of capital grant funding streams (details of which can be seen in the Future Prospects and Development section above). This funding will provide for a once in a generation refurbishment of many aspects of all 3 campuses, including the building of a new general purpose classroom block on the Havant campus. These funding streams are time limited and the college will be focusing considerable resource to ensure that they are spent on time and in accordance with the funding agreements.

On 29th November 2022, the Office for National Statistics reclassified all college corporations as public sector institutions. This decision is to be applied retrospectively to April 1993. The Department for

Education introduced some new rules with for colleges with immediate effect. None of these rule changes have a significant impact on HSDC. The Department is expected to continue to review this change and issue further guidance over the coming 12 to 24 months. HSDC will also continue to keep further changes under consideration.

#### **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 13<sup>th</sup> December 2023 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 2022 to 31 July 2023 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 2023. This opinion is based on an internal review of compliance against the Code, reported to the Board on 13<sup>th</sup> July 2023. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to always observe the highest standards of corporate governance. 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 2022/23 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 Meetings (in the year 2022/2023)
Summer Adams-Madgwick	13 <sup>th</sup> July 2022	2 years	Ceased to be a student July 2023	Student Governor	CQL Committee Student Committee	50%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at Meetings (in the year 2022/2023)
Matthew Atkinson	30/06/21	4 years		External Governor	CQL Committee Audit Committee	80%
Xin Austin	31/03/21	4 years		External Governor	Audit Committee HR Committee	100%
Mike Bateman	1 <sup>st</sup> August 2017  Reappointed 30 <sup>th</sup> June 2021	4 years		External Governor	Student Committee  Estates Strategy Group  Member of HR Committee for 23/24	87%
Simon Claridge	1 <sup>st</sup> August 2017  Reappointed 30 <sup>th</sup> June 2021	4 years		External Governor	HR Committee  Remuneration Committee  F&E Committee  Estates Strategy Group (Chair)	79%
Zachary Cooksey	13 <sup>th</sup> July 2022	2 years	Ceased to be a student July 2023	Student Governor	CQL Committee  Student Committee	50%
Clive Dobbin	14 <sup>th</sup> December 2015  Reappointed 4 <sup>th</sup> July 2019  Re-appointed for 3 <sup>rd</sup> exceptional 3-year term when current term of office ends in December 2023	4 years		External Governor	Vice-Chair (Dec 2017 to June 2021)  Elected as Chair for the 22/23 year on the 13/07/22. In that capacity is ex-officio member of all committees except Audit.	89%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at Meetings (in the year 2022/2023)
Lucy Flannery	31 October 2016  Reappointed 16 Sept 2020  Will complete service to Board October 2024	4 years		External Governor	CQL Committee  Search & Governance Committee	100%
Grant Gallacher	9 <sup>th</sup> December 2021	3 years	Resigned 12 <sup>th</sup> June 2023	Staff Governor	CQL Committee	40%
Mike Gaston	20 April 2015	n/a		Principal	Ex-officio member of all committees except Audit and Remuneration Committees	93.5%
Elspeth Mackeggie Gurney	1 <sup>st</sup> March 2019  Re-appointed for 2 <sup>nd</sup> 4-year term on 14 <sup>th</sup> December 2022	4 years		External Governor	Finance & Estates Committee (Chair)  Member of ESG for 23/24	86%
Lorna Hayes	31/03/21	4 years		External Governor	HR Committee (elected as Chair for 23/24)  Search & Governance Committee  As Chair of HR Committee, attends the Remuneration Committee for 23/24	80%
Romy Jones	22 <sup>nd</sup> March 2018  Reappointed: 6 <sup>th</sup> April 2022	4 years		External Governor	CQL Committee (Chair)  Student Committee	70%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at Meetings (in the year 2022/2023)
Elle Knight	13 <sup>th</sup> July 2022	2 years	Resigned December 2022	Student Governor	CQL Committee Student Committee	50%
Lydia Morrison	2 <sup>nd</sup> July 2018 Reappointed: 14 <sup>th</sup> July 2022	4 years		External Governor	Audit Committee (Chair)	87.5%
Mark Nicholson	9 <sup>th</sup> December 2021	3 years	Resigned September 2023	Staff Governor	CQL Committee	100%
Kamlesh Pandya	31/03/21	4 years		External Governor	Finance & Estates Committee CQL Committee	80%
Michael Thornton	6 <sup>th</sup> April 2022	4 years		External Governor	Finance & Estates Committee	86%
Tony Wright	1 <sup>st</sup> March 2019 Re-appointed for a 2 <sup>nd</sup> 4-year term of office on 14 <sup>th</sup> December 2022	4 years		External Governor	CQL Committee Search & Governance Committee. Elected Vice-Chair of Board for 22/23 year on 13 <sup>th</sup> July 2022. In that capacity, Search & Governance (Chair), Remuneration (Chair)	82%
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 environmental issues. The Corporation meets each term.

The Corporation conducts its business through several committees. Each committee has its terms of reference, which have been approved by the Corporation. During 2022/23 these committees were

Finance and Estates, Curriculum Quality and Learning, 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 Corporation meetings, except those deemed to be confidential by the Corporation, are available on the College's website at <https://www.hsdac.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 can take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

The Corporation has reviewed its Policy on Expenses for Governors and Senior Postholders and has agreed a separate Policy. 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.

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

Any new member 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, Equity Diversity & Inclusion, Safeguarding, Prevent, GDPR and Cyber Security.

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 regarding 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 relevant to its work as well as reviewing existing terms of reference. In the summer term 2023, the annual review of performance against the Code was completed which linked the key criteria in the Code to an evidence-based matrix. This process was also linked to the Board's self-assessment activities. The Board approved a new 3-year self-assessment cycle whereby core elements are considered each year with a more detailed review of certain aspects in years 1 and 2 and an External Board Review taking place in year 3. This approach significantly reduces the burden on Governors to complete a long questionnaire on all aspects of self-assessment every year whilst allowing a 'deep dive' into certain aspects on a rotational basis. The annual review was completed in the summer term 2023 and all the committees concluded that the Board was complying with the key criteria in the Code of Good Governance. The Corporation completed a self-assessment of its own performance for the year ended 31<sup>st</sup> July 2023 and graded itself as 'Outstanding' on the Ofsted scale. No actions were identified to further enhance the Board's performance.

The Corporation is committed to development and aims to provide appropriate information and training to all Governors to enable them to carry out their duties and responsibilities effectively. The Board's Training and Development Policy ensure that training activities are aligned to both group and individual needs. Training needs are identified through several avenues:  
strategic priorities

- induction process
- skills audit
- outcomes of self-assessment
- annual 1:1 meeting with the Chair
- sector developments
- actions arising from normal committee operations.

During the 2022/2023 year, the focus for training was on:

- 28th September 2022 – Board briefing on KCSiE 2023
- 3rd October 2022 – Governors' Dashboard demo, progress update on Environmental Sustainability, strategies being used to improve staff morale and to recruit staff to hard to fill posts
- 9th December 2022 – Solent Governors' Collaborative Event
- 1st February 2023 – Student Feedback Session (Havant and South Downs campuses)
- 22nd March 2023 – Student Feedback Session (Alton campus)
- 12th and 13th May 2023 – Governor Conference: Annual Strategy review, consideration of development of the curriculum strategy and Accountability Statement
- 10th July 2023 – Board briefing on SEND reforms.



In addition, Governors are invited to attend external events organised by the Association of Colleges and the Education and Training Foundation as they arise. All Governor training and Link Governor activity is reported to the Board on a termly basis.

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 Equity, Diversity and Inclusion 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 2023, the College's Remuneration Committee comprised the Chair (also Chair of the HR Committee), Vice Chair 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 is presented to the Board at the Autumn term meeting each year. In addition, a Senior Post Holder Remuneration Statement is approved by the Board in December each year and published on the College's website.

Details of remuneration for the year ended 31 July 2023 are set out in note 7 to the financial statements.

#### **Audit Committee**

The Audit Committee comprises three members of the Corporation (excluding the Accounting Officer and the Chair) and two co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation. There were no vacancies during the 2022/23 year. The membership was strong and included two members with finance/accountancy qualifications.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of College management. The Committee also receives and considers reports from the main 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 auditors, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

The Audit Committee met three times during the year ending 31<sup>st</sup> July 2023. The members of the Committee and their attendance records are shown below:

Membership during 2022/2023	Attendance during 2022/2023	Comments
Lydia Morrison	100%	Elected as Chair in November 2018.
Matt Atkinson	100%	
Xin Austin	100%	
Keryn Landey	67%	Co-opted member
Gemma White	100%	Co-opted member

#### Finance & Estates Committee

The Finance & Estates Committee comprises six members of the Corporation (including the Accounting Officer) and a Co-opted member and operates in accordance with written terms of reference approved by the Corporation. No vacancies existed during the 2022/23 year.

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. In addition, the F&E Committee has responsibility for the College's Environmental Sustainability Strategy and monitors the work of the College's Environmental Sustainability Committee. The F&E Committee also determines Financial Regulations and subsequent variations.

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 wishes) 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.

#### **Student Committee**

The Student Committee comprises 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 Funding Agreement 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 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 2023 and up to the date of approval of the annual report and accounts.

***Capacity to handle risk:***

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31<sup>st</sup> July 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

***The risk and control framework:***

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

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

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 Head of 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.

***Risks faced by the Corporation:***

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. A risk register, aligned to the strategic objectives is maintained and is reviewed termly by the

Executive, Audit Committee and other Corporation Committees review elements of the risk register which relate to their specific responsibilities. 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 those risks. Risks are prioritised using a consistent scoring system.

Outlined in the Strategic Report 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 may also adversely affect the College.

***Control weaknesses identified:***

The internal auditors did not identify any weaknesses in the College's systems or internal control during the 2022/2023 year.

***Responsibilities under funding agreements:***

The Department for Education (DfE) and the Education and Skills Funding Agency (ESFA) introduced new controls for the College on 29<sup>th</sup> November 2022 on the day that the Office for National Statistics (ONS) reclassified colleges as public sector organisations in the national accounts. The ESFA Chief Executive communicated these changes to all college Accounting Officers and explained plans to introduce a college financial handbook in 2024. The College has reviewed its policies, procedures and approval processes in line with these new requirements to ensure systems are in place to identify and handle any transactions for which DfE approval is required.

***Statement from the Audit Committee:***

The Audit Committee has advised the Board that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2022/2023 and up to the date of the approval of the financial statements are:

- Key Financial Controls – Compliance Review - Substantial assurance provided.
- Estate Management & Asset Replacement – Appraisal Review – Reasonable assurance provided.
- Learner Numbers – Compliance Review – Substantial assurance provided.
- Sub-Contracting Controls – Advisory review.

**The Head of Internal Audit's Annual Opinion stated that, for 2022/2023:**

"TIAA is satisfied that, for the areas reviewed during the year, Havant and South Downs College has reasonable and effective risk management, control and governance processes in place. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by Havant and South Downs College from its various sources of assurance".

**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, TIAA.
- 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 Leadership Team (ELT) 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 ELT and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior 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 13<sup>th</sup> December 2023, the Corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the College Executive Leadership team and internal audit and taking account of events since 31 July 2023.

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 13<sup>th</sup> December 2023 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**

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

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

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



Mike Gaston – Principal & Accounting Officer

13<sup>th</sup> December 2023

## **Statement of the chair of governors**

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



Clive Dobbin – Chair of Corporation

13<sup>th</sup> December 2023



## 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.
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The corporation is also required to prepare a 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 expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective



management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 13<sup>th</sup> December 2023 and signed on its behalf by:



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Clive Dobbin – Chair of Corporation

## **Independent auditors' report to the corporation of Havant & South Downs College**

### **Opinion**

We have audited the financial statements of Havant & South Downs College (the 'corporation') for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet and Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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), the Statement of Recommended Practice: Accounting for Further and Higher Education (the 'FE HE SORP') and the College Accounts Direction for 2021 to 2022.

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 31 July 2022 and of the corporation's income and expenditure, gains and losses, changes in reserves and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the FE HE SORP, College Accounts Direction 2021 to 2022 and the Office for Students' Accounts Direction.

### **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 corporation 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.

### **Conclusion relating to going concern**

In auditing the financial statements, we have concluded that the members' 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 corporation'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 members 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 & Financial Statements, other than the financial statements and our auditor's report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

- adequate accounting records have not been kept by the corporation, or returns adequate for our audit have not been received from branches not visited by us; or
- the corporation's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

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

In our opinion:

- funds from whatever source administered by the corporation for the specific purposes have been applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students ('OfS') and Research England have been applied in accordance with the relevant terms and conditions and any other terms and conditions attached to them.

We have nothing to report in respect of the following matters in relation to which the Office for Students' Accounts Direction requires us to report to you if, in our opinion:

- the corporation's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the corporation's expenditure on access and participation activities for the financial year has been materially misstated.

**Responsibilities of the corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 28, the corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the corporation determines 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 corporation'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 corporation 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the sector, control environment and the corporation's performance;
- results of our enquiries of management and the members, including the committees charged with governance over the corporation's finance and control, about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the corporation's documentation of their policies and procedures relating to: identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- how the corporation ensured it met its obligations arising from it being financed by and subject to the governance requirements of the ESFA and OfS, and as such material compliance with these obligations is required to ensure the corporation will continue to receive its public funding and be authorised to operate, including around ensuring there is no material unauthorised use of funds and expenditure;
- how the corporation ensured it met its obligations to its principal regulator, the Secretary of State for Education; and

- the matters discussed among the audit engagement team and involving relevant internal corporation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. We also obtained an understanding of the legal and regulatory frameworks that the corporation operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the College Accounts Direction, the Office for Students' Accounts Direction, and the FE HE SORP.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the corporation's ability to operate or to avoid a material penalty. These included safeguarding regulations, data protection regulations, occupational health and safety regulations, education and inspections legislation, and employment legislation.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- reviewing the financial statement disclosures and testing to supporting documentation to assess the recognition of revenue;
- enquiring of corporation's management and members concerning actual and potential litigation and claims;
- performing procedures to confirm material compliance with the requirements of the ESFA and OfS;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of the members and reviewing internal control reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](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, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the corporation those matters we are required to state to it 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, for our audit work, for this report, or for the opinions we have formed.

*Bishop Fleming LLP*  
Bishop Fleming LLP

Chartered Accountants  
Statutory Auditors  
Stratus House  
Emperor Way  
Exeter Business Park  
Exeter  
Devon  
EX1 3QS

Date: *21/12/23*

## Statement of Comprehensive Income

	Notes	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
<b>INCOME</b>			
Funding body grants	2	34,461	31,432
Tuition fees and education contracts	3	1,476	1,446
Other grants and contracts	4	1,903	1,691
Other income	5	3,013	2,373
Investment income	6	47	19
<b>Total income</b>		<b>40,900</b>	<b>36,959</b>
<b>EXPENDITURE</b>			
Staff costs	7	26,988	26,084
Staff restructuring costs	7	84	116
Other operating expenses	8	11,036	9,855
Depreciation and amortisation	11/12	2,671	2,444
Interest and other finance costs	9	303	558
<b>Total expenditure</b>		<b>41,083</b>	<b>39,057</b>
<b>(Deficit) before other gains and losses and tax</b>		<b>(183)</b>	<b>(2,098)</b>
Taxation	10	-	-
<b>(Deficit) for the year</b>		<b>(183)</b>	<b>(2,098)</b>
Actuarial gain/(loss) in respect of pension schemes		6,957	27,002
<b>Total Comprehensive Income for the year</b>		<b>6,774</b>	<b>24,904</b>
<b>Represented by:</b>			
Unrestricted comprehensive income		6,774	24,904
		<b>6,774</b>	<b>24,904</b>

## Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2021	(12,740)	9,395	(3,345)
Deficit from the income and expenditure account	(2,098)	-	(2,098)
Other comprehensive income	27,003	-	27,003
Transfers between revaluation and income and expenditure reserves	254	(254)	-
<b>Total comprehensive income for the year</b>	<b>25,159</b>	<b>(254)</b>	<b>24,905</b>
<b>Balance at 31 July 2022</b>	<b>12,419</b>	<b>9,141</b>	<b>21,560</b>
Deficit from the income and expenditure account	(183)	-	(183)
Other comprehensive income	6,957	-	6,957
Transfers between revaluation and income and expenditure reserves	251	(251)	-
<b>Total comprehensive income for the year</b>	<b>7,025</b>	<b>(251)</b>	<b>6,774</b>
<b>Balance at 31 July 2023</b>	<b>19,444</b>	<b>8,890</b>	<b>28,334</b>



**Balance Sheet as at 31 July 2023**

	Notes	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Tangible fixed assets	11	49,153	48,316
Intangible assets	12	0	0
		<u>49,153</u>	<u>48,316</u>
<b>Current assets</b>			
Stocks	13	29	23
Trade and other receivables	14	1,349	1,163
Cash and cash equivalents	18	7,015	3,381
		<u>8,393</u>	<u>4,568</u>
Creditors – amounts falling due within one year	15	(8,361)	(7,325)
<b>Net current assets / (liabilities)</b>		<u>32</u>	<u>(2,757)</u>
<b>Total assets less current liabilities</b>		<b>49,185</b>	<b>45,559</b>
Creditors – amounts falling due after more than one year	16	(20,620)	(17,053)
<b>Provisions</b>			
Defined benefit pension scheme	17	-	(6,759)
Other provisions	17	(231)	(188)
<b>Total net assets / (liabilities)</b>		<u><b>28,334</b></u>	<u><b>21,560</b></u>
<b>Unrestricted reserves</b>			
Income and expenditure account		19,444	12,418
Revaluation reserve		8,890	9,141
<b>Total unrestricted reserves</b>		<u><b>28,334</b></u>	<u><b>21,560</b></u>

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



Clive Dobbin  
Chair of Corporation  
13 December 2023



Mike Gaston  
Principal and Accounting Officer  
13 December 2023

## Statement of Cash Flows

	Notes	2023 £'000	2022 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(183)	(2,098)
<b>Adjustment for non cash items</b>			
Depreciation and amortisation		2,761	2,444
Deferred capital grant release		(1,356)	(1,301)
(Increase)/decrease in stocks		(6)	(12)
(Increase) in debtors		(185)	263
Increase/(decrease) in creditors due within one year		743	(205)
Increase/(decrease) in creditors due after one year		(167)	217
Increase in provisions		-	(19)
Pensions costs less contributions payable		(31)	1,650
Reserves adjustment			
<b>Adjustment for investing or financing activities</b>			
Investment income		(47)	(19)
Interest payable		303	558
Restructuring facility grant to repay amounts borrowed		-	-
Loss on fixed asset disposal		-	-
<b>Net cash flow from operating activities</b>		<u>1,742</u>	<u>1,478</u>
<b>Cash flows from investing activities</b>			
Investment income		47	19
Capital grant receipts		5,391	3,744
Payments made to acquire fixed assets		(3,472)	(4,586)
		<u>1,966</u>	<u>(823)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(74)	(39)
Restructuring facility grant to repay amounts borrowed		-	-
Repayments of amounts borrowed		-	-
		<u>(74)</u>	<u>(39)</u>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		<u>3,634</u>	<u>616</u>
Cash and cash equivalents at beginning of the year	18	3,381	2,764
Cash and cash equivalents at end of the year	18	7,015	3,381

## 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 2021 to 2022, 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 31<sup>st</sup> July 2023, the College had net current assets of £32k (£2.757m net liabilities on 31<sup>st</sup> July 2022). The College had a net asset position on 31<sup>st</sup> July 2023 of £28.334m (£21.560m at 31<sup>st</sup> July 2022). Within this is nil (£31.6m on 31<sup>st</sup> July 2021) of LGPS pension deficit liability.

Corporation reviewed the 23/24 budget and 24/25 forecast at its meeting on 30<sup>th</sup> June 2023. Alongside this it also reviewed the projected cashflow for the 24 months from 1<sup>st</sup> August 2023. All the information presented to Corporation 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 it 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 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 based on 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 2019 FE HE SORP, are measured based on 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.

##### *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 1<sup>st</sup> 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 arising from 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 account of residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on several 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 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## Notes to the Financial Statements (continued)

2	Funding body grants	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
	<b>Recurrent grants</b>		
	Education and Skills Funding Agency - 16 to 18	28,787	25,874
	Education and Skills Funding Agency - adult education budget	2,136	2,112
	Education and Skills Funding Agency - apprenticeships	1,230	1,066
	Office for Students	124	120
	<b>Specific Grants</b>		
	Administration of Learner Support Funds	36	34
	Teacher Pension Scheme contribution grant	1,025	854
	Education and Skills Funding Agency - Other	23	48
	Releases of government capital grants	1,100	1,301
	<b>Specific grants – Coronavirus additional funding</b>		
	Education and Skills Funding Agency – Free School Meals	-	23
	<b>Total</b>	<b>34,461</b>	<b>31,432</b>
	<b>Supplementary OfS disclosure</b>	<b>Year ended 31 July 2023 £'000</b>	<b>Year ended 31 July 2022 £'000</b>
	<b>Grant Income</b>		
	Grant income from the OfS (recurrent)	124	120
	Grant income from the OfS (capital)	12	12
	<b>Fee Income</b>		
	Fee income for taught awards	1,468	723
	<b>Total</b>	<b>1,604</b>	<b>856</b>
	The above disclosure includes HE grant and fee income only.		
3	Tuition fees and education contracts	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
	Adult education fees	555	624
	Fees for FE loan supported courses	248	284
	Fees for HE loan supported courses	91	106
	International students' fees	332	211
	<b>Total tuition fees</b>	<b>1,226</b>	<b>1,225</b>
	Education contracts	250	211
	<b>Total</b>	<b>1,476</b>	<b>1,446</b>

## Notes to the Financial Statements (continued)

<b>4</b>	<b>Other grants and contracts</b>	<b>Year ended 31 July 2023 £'000</b>	<b>Year ended 31 July 2022 £'000</b>
	Other grants and contracts	1,903	1,691
	<b>Total</b>	<b>1,903</b>	<b>1,691</b>
<b>5</b>	<b>Other income</b>	<b>Year ended 31 July 2023 £'000</b>	<b>Year ended 31 July 2022 £'000</b>
	Catering and residences	1,274	1,069
	Student travel and trips	431	177
	Nursery income	703	560
	Exam fees	37	29
	Other income generating activities	568	537
	<b>Total</b>	<b>3,013</b>	<b>2,373</b>
<b>6</b>	<b>Investment income</b>	<b>Year ended 31 July 2023 £'000</b>	<b>Year ended 31 July 2022 £'000</b>
	Other interest receivable	47	19
	<b>Total</b>	<b>47</b>	<b>19</b>

## 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:

	2023	2022
	No.	No.
Teaching staff	398	382
Non-teaching staff	511	471
	<b>909</b>	<b>853</b>
<b>Staff costs for the above persons</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	19,902	18,029
Social security costs	1,907	1,708
Other pension costs	4,887	6,000
<b>Payroll sub-total</b>	<b>26,696</b>	<b>25,737</b>
Contracted out staffing services.	292	347
	<b>26,988</b>	<b>26,084</b>
Restructuring costs - contractual	34	102
Restructuring costs - non-contractual	50	13
	<b>27,072</b>	<b>26,200</b>

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 Executive Leadership Team which comprises the Principal, Deputy Principals and Vice Principals.

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

	2023	2022
	No.	No.
The number of key management personnel including the Accounting Officer was:	6	6

## 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	
	2023	2022
£45,001 to £50,000	-	1
£50,001 to £55,000	1	1
£55,001 to £60,000	1	-
£65,001 to £70,000	-	1
£70,001 to £75,000	1	-
£85,001 to £90,000	1	2
£90,001 to £95,000	1	-
£145,001 to £150,000	1	1
	<u>6</u>	<u>6</u>

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 £50,001 to £55,000 band to the £60,001 to £65,000 band, and one from the £55,001 to £60,000 band to the £70,001 to £75,000 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 (2021/22 one other member of staff in band £60,000 to £65,000).

Key management personnel compensation is made up as follows:

	2022	2022
	£'000	£'000
Basic salary	506	496
Honorarium	-	-
Employers National Insurance Contributions	65	61
Benefits in kind	-	-
	<u>571</u>	<u>674</u>
Pension contributions	<u>122</u>	<u>118</u>
<b>Total emoluments</b>	<b><u>693</u></b>	<b><u>675</u></b>

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:

	2022	2021
	£'000	£'000
Basic salary	149	145
Performance related pay and bonus	-	-
Benefits in kind	-	-
	<u>149</u>	<u>145</u>
Pension contributions	<u>35</u>	<u>34</u>

**Notes to the Financial Statements (continued)****7 Staff costs (continued)**

The increase in the Accounting Officers basic salary in 2022/23 was because of a whole college 1.5% pay award paid from September 2022 and agreed by the Corporation.

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.

The Remuneration Committee aims to retain highly talented and effective Senior Post Holders to deliver the College's Drive to '25 Strategy and to achieve the best outcomes for students, communities and employers while ensuring effective use of resources.

The Remuneration Committee reviews the performance of each Senior Post Holder annually and has responsibility for making recommendations to the Corporation on the remuneration and terms and conditions of employment of the Principal, other designated senior post holders and the Clerk.

To inform its decisions the Committee takes account of affordability, comparative information on the remuneration benefits and conditions of employment from within the further education sector (using data from the most recent AOC Senior Pay Survey of colleges with a similar income level, location and scope of operations), and other organisations of a comparable size/turnover. Against the most appropriate benchmarks, the Corporation will normally seek to pay between the median and the upper quartile.

**Relationship of Principal pay and remuneration expressed as a multiple**

	2023	2022
Principal basic salary as a multiple of the median of all staff	4.5	4.5
Principal total remuneration as a multiple of the median of all staff	3.7	4.6

**Compensation for loss of office paid to former key management personnel.**

No Compensation for loss of office was paid in 2022/23

## Notes to the Financial Statements (continued)

<b>8</b>	<b>Other operating expenses</b>	<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
	Teaching costs	514	715
	Non-teaching costs	6,277	5,257
	Premises costs	1,186	941
	Exam costs	3,059	2,942
	<b>Total</b>	<b>11,036</b>	<b>9,855</b>

<b>Other operating expenses include:</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration (incl VAT):		
Financial statements audit	50	50
Funding review audit	1	1
Teachers' pension audit	1	1
Internal audit	8	8
Hire of assets under operating leases	247	170
Depreciation	2,671	2,440

<b>9</b>	<b>Interest and other finance costs</b>	<b>Year ended</b>	<b>Year ended</b>
		<b>31 July 2023</b>	<b>31 July 2022</b>
		<b>£'000</b>	<b>£'000</b>
	On finance leases	74	39
	Net interest on defined pension liability (Note 22)	229	519
	<b>Total</b>	<b>303</b>	<b>558</b>

**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
<b>Cost or valuation</b>				
At 1 August 2022	74,229	10,755	-	84,984
Additions	1,455	1,404	649	3,508
Disposals	-	-	-	-
Transfers	-	-	-	-
<b>At 31 July 2023</b>	<b>75,684</b>	<b>12,159</b>	<b>-</b>	<b>88,492</b>
<b>Depreciation</b>				
At 1 August 2021	27,370	9,298	-	36,668
Charge for the year	1,696	975	-	2,671
Elimination in respect of disposals	-	-	-	-
<b>At 31 July 2022</b>	<b>29,066</b>	<b>10,273</b>	<b>-</b>	<b>39,339</b>
<b>Net book value at 31 July 2023</b>	<b>46,618</b>	<b>1,886</b>	<b>649</b>	<b>49,153</b>
<b>Net book value at 31 July 2022</b>	<b>46,859</b>	<b>1,457</b>	<b>-</b>	<b>48,316</b>

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 £255k in respect of assets held under finance leases. The depreciation charge for the year on these assets for the year was £560k (2022 £573k).

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
<b>Net book value based on cost</b>	<b>Nil</b>



## Notes to the Financial Statements (continued)

## 12 Intangible assets

	Total £'000
<b>Cost or valuation</b>	
At 1 August 2022	73
Disposals	-
<b>At 31 July 2023</b>	<b>73</b>
<b>Amortisation</b>	
At 1 August 2022	73
Charge for the year	-
<b>At 31 July 2023</b>	<b>73</b>
<b>Net book value at 31 July 2023</b>	<b>-</b>
Net book value at 31 July 2022	-

## 13 Stock

	2023 £'000	2022 £'000
Stock	29	23
<b>Total</b>	<b>29</b>	<b>23</b>

## 14 Trade and other receivables

	2022 £'000	2022 £'000
Amounts falling due within one year:		
Trade receivables	270	307
Prepayments and accrued income	716	741
Amounts owed by the ESFA	84	84
Other debtors	279	62
<b>Total</b>	<b>1,349</b>	<b>1,163</b>

## Notes to the Financial Statements (continued)

## 15 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Obligations under finance leases	230	229
Trade creditors	2,042	1,520
Other creditors	352	387
Other taxation and social security	449	415
Accruals and deferred income	1,666	1,670
Deferred income - government capital grants	2,292	2,000
Deferred income - government revenue grants	445	130
Amounts owed to the ESFA	885	975
<b>Total</b>	<b>8,361</b>	<b>7,325</b>

## 16 Creditors: amounts falling due after one year

	2023	2022
	£'000	£'000
Other Provisions	50	217
Obligations under finance leases	25	36
Deferred income - government capital grants	20,545	16,800
<b>Total</b>	<b>20,620</b>	<b>17,053</b>

## 17 Provisions

	Defined benefit obligations	Dilapidations provision	Total
	£'000	£'000	£'000
At 1 August 2022	6,759	188	6,947
Expenditure in period	(2,355)	43	(2,312)
Additions in period	(4,404)	-	(4,404)
<b>At 31 July 2023</b>	<b>-</b>	<b>231</b>	<b>231</b>

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in Note 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 2022 £'000	Cash flows £'000	New finance leases £'000	At 31 July 2023 £'000
Cash and cash equivalents	3,381	3,634	-	7,015
Obligations under finance leases	(270)	690	(675)	(255)
<b>Total</b>	<b>3,111</b>	<b>4,324</b>	<b>(675)</b>	<b>6,760</b>

## 19 Capital commitments

	2023 £'000	2022 £'000
Commitments contracted for at 31 July	128	312
<b>Total</b>	<b>128</b>	<b>312</b>

## 20 Lease obligations

## Operating Leases

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

	2023 £'000	2022 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	60	37
Later than one year and not later than five years	262	72
Later than five years	206	74
<b>Total</b>	<b>528</b>	<b>183</b>
<b>Other</b>		
Not later than one year	127	187
Later than one year and not later than five years	172	284
Later than five years	-	-
<b>Total</b>	<b>299</b>	<b>471</b>

## 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:

	2023 £'000	2022 £'000
Future minimum lease payments due		
Not later than one year	78	230
Later than one year and not later than five years	178	336
Later than five years	-	-
<b>Total</b>	<b>256</b>	<b>266</b>

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 2022.

Total pension cost for the year	2023		2022	
	£'000	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid		2,563		2,307
Local Government Pension Scheme:				
Contributions paid	2,355		2,043	
FRS 102 (28) charge	(31)		1,650	
Charge to the Statement of Comprehensive Income		2,324		3,693
<b>Total Pension Cost for Year</b>		<b>4,887</b>		<b>6,000</b>

## Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools 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 2020. The valuation report was published by the Department for Education (the Department) in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £22 billion giving a notional deficit of £39.8 billion.

As a result of the valuation, new employer contribution rates were set at 28.6% of pensionable pay from April 2024 onwards (compared to 23.68% from September 2019). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2024/25 academic year and through to March 2027.

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 2023 were £2,824,000 of which employer's contributions totalled £2,355,000 and employees' contributions totalled £469,000. The agreed College contribution rate for future years is 26.5% from April 2023. 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 31<sup>st</sup> March 2022 updated to 31<sup>st</sup> July 2023 by a qualified independent actuary.

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	4.00%	3.60%
Future pensions increases	3.00%	2.60%
Discount rate for scheme liabilities	5.05%	3.40%
Inflation assumption (CPI)	3.00%	2.60%

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 2023 Years	At 31 July 2022 Years
<i>Retiring today</i>		
Males	22.10	22.90
Females	24.70	24.70
<i>Retiring in 20 years</i>		
Males	22.60	25.40
Females	25.70	27.10

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

	Fair Value 2023 £'000	Fair Value at 2022 £'000
Equities	33,653	33,947
Bonds	18,252	8,738
Property	3,422	4,782
Multi Asset Credit	-	5,254
Cash	1,711	472
Other	-	5,845
<b>Total fair value of assets</b>	<b>57,038</b>	<b>59,038</b>
<b>Actual return on plan assets</b>	<b>(3,189)</b>	<b>(1,993)</b>

**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:

	2023	2022
	£'000	£'000
Fair value of plan assets	57,039	59,038
Present value of plan liabilities	(57,039)	(65,797)
<b>Net pensions liability (Note 17)</b>	<b>-</b>	<b>(6,759)</b>

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

	2023	2022
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	2,324	3,620
Past service cost	-	73
<b>Total</b>	<b>2,324</b>	<b>3,693</b>

**Amounts included in interest payable**

Net interest charge	229	519
	<b>229</b>	<b>519</b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	(3,701)	(2,959)
Experience gains/(losses) arising on defined benefit obligations	10,658	29,961
Changes in assumptions underlying the present value of the plans liabilities	-	-
<b>Amount recognised in Other Comprehensive Income</b>	<b>6,957</b>	<b>27,002</b>

## 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

	2023	2022
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(6,759)	(31,592)
Movement in year:		
Current service cost	(2,324)	(3,620)
Employer contributions	2,355	2,043
Past service cost	-	(73)
Net interest on the defined (liability)/asset	(229)	(519)
Actuarial gain/(loss)	6,957	27,002
Net defined benefit liability 31 July	-	(6,759)

## Asset and Liability Reconciliation

	2023	2022
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	65,797	91,257
Current Service cost	2,324	3,620
Interest cost	2,255	1,545
Contributions by Scheme participants	469	389
Experience (gains)/losses on defined benefit obligations	(12,172)	(29,961)
Estimated benefits paid	(1,634)	(1,126)
Curtailment cost	-	73
Defined benefit obligations at end of period	57,039	65,797

	2023	2022
	£'000	£'000
Change in fair value of plan benefits		
Fair value of plan assets at start of period	59,038	59,665
Interest on plan assets	2,026	1,026
Return/(loss) on plan assets	(5,215)	(2,959)
Employer contributions	2,355	2,043
Contributions by Scheme participants	469	389
Estimated benefits paid	(1,634)	(1,126)
Fair value of assets at end of period	57,039	59,038



**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 (2022: £Nil).

The total expenses paid to or on behalf of the Governors during the year was £NIL (2022: £NIL). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Mike Gaston, Mark Nicholson and Grant Gallagher were both employed by the college and were governors for the period.

**24 Events after the end of the reporting period**

There are no events after the reporting period.

## **Reporting accountant's assurance report on regularity to the Corporation of Havant & South Downs College ("the College") and Secretary of State for Education acting through Education and Skills Funding Agency (ESFA)**

In accordance with the terms of our engagement letter dated 19 April 2023 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Havant & South Downs College during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Havant & South Downs College and 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 & South Downs College and 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 & South Downs College and ESFA for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of Havant & South Downs College and the reporting accountant**

The Corporation of Havant & South Downs College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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. 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 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Code issued jointly by the ESFA. We performed a limited assurance engagement as defined in that framework.

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 and propriety.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently 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.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure.

The work undertaken to draw our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across the College's activities;
- Evaluation and validation of the processes and controls in place to ensure regularity and propriety for the use of public funds, including the consideration of the College's self-assessment questionnaire (SAQ);
- Testing transactions with related parties;
- Sample testing of income to ensure that funds have been applied for the purposes that they were awarded, focused on areas assessed as high risk;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referenced to our regularity report.

The list is not exhaustive, and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Code.

## Conclusion

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 2022 to 31 July 2023 has not been applied to purposes intended by Parliament, and that the financial transactions do not conform to the authorities that govern them.

*Bishop Fleming LLP*

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Date: *21/12/23*

