HSDC

Annual Report & Financial Statements

for the year ended 31 July 2025

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 2024/25:

Mike Gaston - Principal and CEO; Accounting Officer

Richard Barlow – Deputy Principal – *to 30th April 2025*

Dominic Asater – Deputy Principal (Finance & Facilities) – *to 10th February 2025*

Bhupendra Pattni – Interim Deputy Principal (Finance & Facilities) – *from 6th January 2025*

Suki Dhesi – Deputy Principal (Students, Learning and Quality)

Leona Berry - Vice Principal (Organisational Development & People) – *to 31st August 2025*

Charlotte Nancarrow - Executive Director and Corporate Services () – *from 5th August 2025*

Board of Governors

A full list of Governors is given on pages 22 to 25 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 Audit Ltd, Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon, EX1 3QS

Internal Auditors:
HW Controls & Assurance Ltd (T/A Validera), Unit 3 Compton Court, Attwood Road, Burntwood, Staffs. WS7 3GG

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

Contents

Strategic Report

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditor's report for Havant & South Downs College (HSDC) for the year ended 31 July 2025.

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 'Ambition 2030, approved as at October 2025

Our Purpose

Education is a catalyst for change, one that empowers individuals, strengthens communities, and drives economic prosperity. HSDC is committed Through high-quality teaching, industry-responsive curriculum, and strategic partnerships, we ensure that students leave HSDC equipped for success

Our vision

In 2030 we will be leading regional FE College for students, staff, and employers in Hampshire – fully equipping our communities for future work and life.

The strategy is underpinned by 5 key objectives:

Student Success and Progression- *We will deliver high quality learning experiences to ensure our students progress to an ambitious life beyond college, having developed outstanding values, knowledge, skills and behaviours throughout their journey with us.*

Staff well-being and Development- In our thriving workplace, we nurture well-being, development, and a sense of belonging. Everyone feels valued, respected, and empowered to collaborate towards shared goals.

Employer and Skills- *We will be a leading college for the development of skills through strategic partnerships in nurturing talent of our students to grow prosperity in the region*

Community, Environmental and Social Responsibility- *We are at the heart of our communities, building strong civic partnerships, promoting opportunity and ambition for all, and moving towards our 2040 Net Carbon Zero target*

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.*

Financial Strength and Growth- *We are committed to being financially sustainable to enable investment in staff, promote the development of other College resources, including IT and the digital environment, and create sustainable facilities.*

Resources

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

The College employed 798 people (expressed as average headcount) in 2024/25, of whom 410 were teaching staff.

In 2024/25 the College had various learner cohorts

16-18-year-old FE learners	3,940
19+ Learners	191
Adult part time learners	822
Apprentices	448
HE Learners	71
14-16 learners	85
International Learners	58
Distance Learning Partnership	989
Subcontracted Learners	230
Total Learners	**6,834**

The College has £23.680m 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 2025 is £61.164m.

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, 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 21 to 24. 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 7,000 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 400 apprentices. The college is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

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

- Ofsted and QAA inspection reports.
- Student and employer surveys.
- Published accounts.

- Community Engagement Policy.
- Records of College Corporation meetings.

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

DEVELOPMENT AND PERFORMANCE

Financial objectives

The College's Strategic Plan – 'Ambition 2030' identifies 'Financial Sustainability' as one of its five strategic objectives. This objective requires the College to have growing income streams, a manageable and efficient cost base, where HSDC has enough cash to invest for the future. The College measures its progress towards Financial Sustainability by setting annual financial objectives.

In 2024/25 the College set the following objectives

	Budget	Outturn
• Education specific EBITDA	0.84%	(5.30) %
• Staff to turnover ratio	74.7%	74.20%

- to manage the College's cashflow, to not require the use of ESFA Exceptional Funding - 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

Financial Results – Income and Expenditure

In 2024/25 HSDC budgeted for a £322k surplus of earnings before interest, tax, depreciation and amortisation (Education EBITDA).

The 2024/25 Financial Statements show the College ended the year with a £3.015m deficit. Once adjustments have been made for deferred capital grant, depreciation, interest and FRS102 pension changes the College is reporting a £1.724m deficit education specific EBITDA, a deterioration of £2.046m over the budget set by Corporation in July 2024. These adjustments are shown in the following table.

	£'000
SOCI Total Deficit 24/25	**(3,015)**
Deduct Actuarial Gain on LGPS	(766)
SOCI Deficit before other gains and losses	**(2,249)**
Add Back FRS102 Pensions costs in Pay	2,268
Add Back Depreciation	3,315
Add Back Interest	100
Deduct Deferred Capital Grant	(1,728)
Surplus EBITDA for Financial Health Calculation	**(1,724)**

The College continues to have significant reliance on the education sector funding bodies for its principal funding sources, largely from recurrent grants. In 2024/25, FE funding bodies provided 84% of the college's total income.

The College saw headline income (including Deferred Capital Grant) of £41.527m a fall of £140k over 2023/24 (£41.667m).

Pay out turned at £28.469m or 74.20% of income (72.18% 23/24), which is above the FE Commissioners recommended target for FE Colleges of 70%.

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 28.5% of basic salaries to 31st March 2025 but fell to 18.9% for the remainder of 2024/25.

Non-pay costs out-turned at £10.790m a year-on-year decrease of £355k as a response to the higher deficit position and in attempt to improve the financial position by the year end. Key variances to the budgeted EBITDA are:

	£'000
Original EBITDA Budget 2024/25	**322**
High Needs Element 3	686
ASF Income	170
Pay overspend	(956)
Restructuring costs to "right size" the college.	(1,001)
Non-Pay overspend vs budget	(1,129)
Other variances	239
Outturn EBITDA 2024/25	**(1,724)**

Financial Results – Balance Sheet

The College holds net tangible fixed assets (after depreciation) at 31st July 2025 of £61.022m (£54.3m in 2023/24). Additions during the year amounted to £10.192m, of which £9.3m was funded by grant. This was split £9.1m Buildings and £1.07m Equipment.

The main asset additions included a new build on the Havant campus funded by the Post 16 Capacity fund (£3.486m), Refurbishment of the second floor of the south down's campus for Creative & Design T-Levels funded by the T-Level Wave 5 grant (£771k), FE-Reclassification Grant (£945k) and the FECTF grant (£2.5m).

The College LGPS defined benefit pension liability, valued annually by Actuaries, remained at NIL. The actuarial report states a net surplus for 2024/25, but the College has not recognised any asset in the accounts, the same position as 2023/24. 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

Adjusted earnings before Interest, tax, depreciation and amortisation (adjusted EBITDA) was a negative £1.724m (5.19%) of adjusted turnover, a deterioration on the (0.22%) in 2023/24.

The Staff Cost to Turnover ratio was 74.20%, up on the 72.18% in 2023/24

The financial health autoscore for the College in 2024/25 is 'Inadequate' due to a combination of negative EBITDA and a low adjusted current ratio which is partly due to ongoing delays in the sale of land. This has meant that the College has had to finance a higher proportion of its capital programme from working capital.

Financial Results - Cash flows and liquidity

The net cash outflow from activities in 2024/25 was £567k a deterioration on the £4.587m inflow in 2023/24. The College cash balance at the year-end was £11.035m, of which £7.7m is restricted, with no borrowings.

Reserves

At 31st July 2025 the College had £23.680m of reserves. The College hopes 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 2024/25 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 2024 to 31 July 2025**	**1 August 2023 to 31 July 2024**
Energy consumption used to calculate emissions (kWh)	7,728,312	8,548,530
Scope 1 emissions in metric tonnes CO2e		
Gas consumption	672	766
Owned transport	9	10
Total	681	776
Scope 2 emissions in metric tonnes CO2e		
Purchased electricity	688	852
Scope 3 emissions in metric tonnes CO2e		
Business travel in employee-owned vehicles	33	54
Total gross emissions in metric tonnes CO2e	**1,401**	**1,682**
Intensity ratio		
Metric tonnes CO2e per student	0.21	0.23
Qualification and reporting methodology We have followed the 2025 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2025 UK Government's Conversion Factors for Company Reporting. **Intensity ratio** The chosen intensity measurement ration is total gross emissions in metric tonnes CO2e per student.		

FUTURE PROSPECTS AND DEVELOPMENTS

Property Strategy

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

Transformation Fund

In April 2025 the College had received £11.6m of Transformation Funding to reduce the proportion of the college estate that is in unsatisfactory condition. This funding must be spent by March 2026. The College has used this funding to complete the refurbishment of the second floor of the main building on its South Downs campus during the summer of 2025.

Future works include the replacement of the curtain walling on the Havant Campus during 2025, along with a series of other key estate refurbishment projects up to the end of March 2026.

Post 16 Capacity Fund

In May 2025 the College was notified of £3.5m of Post 16 Capacity funding to support the building of a new 790m^2 general purpose classroom block on its Havant campus. The College secured planning permission for this project in June 2025 and was completed in June 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 were signed in November 2021, planning permission has been granted for both parties, with capital receipts during 2026.

Condition Allowance (FECCA)

In April 2025 the college was awarded £1.897m to maintain, improve and ensure suitability of our college's estate. The funds need to be spent by March 2028.

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 2025/26

The College governors approved a financial plan in July 2025 which set objectives for the period to 31st July 2026. This plan estimated a total income target of £40.4m (including deferred capital grant releases), a pay budget of £26.1m which includes restructuring costs (£250k), a Non-Pay budget of £10.2m and depreciation at £3.511m.

Education specific EBITDA was planned to be +£2.03m (2024/25 – Out turn £1.729m deficit), Financial Health is budgeted to be 'Requires Improvement' at 31st July 2026 and Pay to Income ratio is budgeted at 67.7%.

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 recognises the importance of reserves in the financial stability of the organisation and to ensure adequate funds to support College core activities. Details of the College's reserves are shown 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 including, 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 4,400 students 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 for SEND students, with over 450 of its students having EHCPs and over 170 designated as High Needs Students, and both a highly successful Employability Hub and Independence Hub at the College.

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/T 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, and was once again judged to be 'Outstanding' by Ofsted at their May 2024 inspection.

The College's May 2024 Ofsted inspection report also confirmed its significant strengths in providing highly relevant and responsive education and training, being judged the highest possible rating of 'strong' for its contribution to meeting skills needs. At the time of publication, only one other GFE/T college in Hampshire and Portsmouth had achieved this outcome. Amongst many areas of excellence, the inspection report states that "College leaders, governors and staff engage very effectively with a broad range of stakeholders. They are highly aware of and responsive to the needs of their area as articulated in the local skills improvement plan and their external partners" and "Leaders play a pivotal role in the identification of emerging skills needs in sectors such as engineering, aerospace and healthcare. College staff work collaboratively with local education and training providers to offer the best provision to meet local and regional community needs."

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 by the Executive Team, the 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.

<u>Failure to maintain the financial sustainability of the College</u>

Like other FE Colleges, HSDC relies on continued government funding, primarily through the Education and the Skills Funding Agency. In 2024/25 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 dependence on Government funding will continue in the future. The College has regular dialogue with the Education and the Skills Funding Agency in relation to this.

The College's confirmed financial health grade for 2023/24 was inadequate.

The College's financial health grade for 2024/25 is self-assessed 'inadequate'. However, the College has recognised the importance of addressing its high pay costs, the tight control of non-pay costs and improving curriculum efficiency to improve EBITDA and help to lift the financial health autoscore going forward to at least 'Requires Improvement' or 'Good'. The College has delivered cost reductions of £3.818m in pay costs and £323k in non-pay costs for 2025/26.

<u>Failure to enrol learners in September 2025</u>

The College saw an increase in 16-19 learners at its September 2025 enrolment against DfE targets and budgets. The anticipated growth in lagged funding will present a further financial improvement to the College in 2025/26 budget that will be considered as part of cost reduction plans already being developed. At the same time, the College is working hard to ensure that future years' enrolments (September 2026 and 2027) see increases in learner numbers and growth in market share. This strategy should benefit from the recent Ofsted inspection outcome, record high grades for learners and the substantial capital investment in the College estate which is nearing completion.

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 received a 'Good' OFSTED inspection grading in May 2024. The College continues to place 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 (2024: £0).

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.

In November 2025 a guarantee was put in place to provide assurance to LGPS pension fund managers that FE bodies should not be treated as 'high-risk' employers. The guarantee ensures that in the event of the closure of an FE body in the statutory sector, any outstanding LGPS liabilities will not revert to the fund. LGPS cessation liabilities become due when an employer has no active members contributing to the pension fund.

The College has engaged with Hampshire Local Government Pension Scheme (the administering authority) to discuss how the DfE FE Guarantee will be applied and recognised in funding strategies. The LGPS currently costs the college £2.3m per annum, with an employer contribution rate of 26.5%. Every 1% reduction in this rate would save the college c. £87k per annum.

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	2024/25 Budget	2024/25 Outturn	RAG
Education Adjusted EBITDA	3-5%	0.8%	(5.21)%	
Adjusted Current ratio	>1.4	1.41	0.56	
Average cash days	>25	16.86	10	
Borrowings	<40%	NIL	1.45%	
Financial Health	Good / Outstanding	Requires Improvement	Inadequate	
Staff to income ratio	<70%	74.7%	74.2%	

The College's staff-to-income ratio exceeded the sector benchmark, and the negative EBITDA and low cash days highlight liquidity and operational efficiency concerns.

The adjusted current ratio fell below the benchmark due to delays in the land sale and other factors.

Right Sizing Efficiency Exercise

Despite these challenges, the College has undertaken a detailed financial planning and forecasting exercise during the summer of 2025, which will be effective for 2025/26 and beyond, incorporating:

- A Financial Recovery Plan targeting £3.67m in pay savings and £450k in non-pay savings. The actual savings achieved were £3.818m in pay costs and £323k in non-pay.

- Strategic restructuring to 'Right Size' the staffing establishment.

- Improved curriculum efficiency and staff utilisation.

- Enhanced financial monitoring and scenario planning using the DfE's CFFR Financial Modelling Tool.

The College has budgeted for an Education EBITDA surplus of £2.031m in 2025/26, with a projected improvement in financial health to 'Requires Improvement', and further progression to 'Good' by 2026/27.

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.

The Qualification Achievement Rate is a combination of the retention rate and the pass rate. The HSDC retention was 91.7 in 2024/25, which is nearly 2% above the national rate. The pass rate was 89.8% which is slightly below the national rate.

Overall, the Qualification Achievement Rate was 82.5%, which exceeds the national rate of 81.7%. The main areas to improve this Qualification Achievement Rate further are making sure predicted learner grades are accurate, which will enable swift interventions for students who are not making progress in line with their prior attainment. Further strategies to improve success for HSDC learners includes increased support through target setting for students with High Needs and those in receipt of Free College Meals.

This will ensure achievement gaps are narrowed, enabling all HSDC learners to make progress

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 2024 to 31 July 2025, the College paid 60% 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.hsdc.ac.uk/life-at-hsdc/equality-diversity-and-inclusion/.

Gender Pay Gap Reporting

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

	Year ending 31 March 2024
Mean gender pay gap	13.77%
Median gender pay gap	22.74%
Mean bonus gender pay gap	0%
Median gender bonus gap	0%
Proportion of males/females receiving a bonus	0

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

	Males	Females
1 - Lower quartile	18%	82%
2	24%	76%
3	35%	65%
4 – Upper quartile	42%	58%

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 2024/25 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
7	5.33

Percentage of time	Number of employees
0%	0
1-50%	7
51-99%	0
100%	0

Total cost of facility time £	31,685
Total pay bill £	28,569,000
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	9%

Going Concern

The Corporation has assessed the College's ability to continue as a going concern despite reporting an Education EBITDA deficit of £1.729m and a financial health autoscore of 'Inadequate', the College maintained year-end cash balances of £11.035m (£2.853m Operational cash and £8.182m restricted cash), with no external borrowings, and received £2.5m DfE reprofiling support in May 2025.

A Financial Recovery Plan has delivered £3.818m in pay savings and £323k in non-pay savings, alongside curriculum efficiency improvements and enhanced financial monitoring.
The College has budgeted for an Education EBITDA surplus of £2.031m in 2025/26 and aims to improve its financial health rating to at least 'Requires Improvement', or 'Good'.

While material uncertainty exists due to the reliance on cost savings, income growth, and the exclusion of the South Downs land sale from forecasts, the Corporation considers it appropriate to prepare the financial statements on a going concern basis.

Events After the Reporting Period

The College recruited more learners in September 2025 compared to our plan and DfE targets. This will have a positive impact on funding in the 2025/26 financial year. The College is working hard to improve the net 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 30th November 2021 and both parties have received positive planning outcomes and the sale is expected to be finalised before the end of the 2025/26 financial year.

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 17th December 2025 and signed on its behalf by:

Clive Dobbin – Chair of Corporation

Statement of Corporate Governance and Internal Control

Governance Statement:

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2024 to 31 July 2025 and up to the date of approval of the annual report and financial statements.

The DfE requires colleges to comply with either the AoC's Code of Good Governance for English Colleges, DFE or the Charity Governance Code.

Governance 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.

In the opinion of the Governors, the College has complied with all the provisions of the Code throughout the year ended 31 July 2025. This opinion is based on an internal review of compliance against the Code, reported to the Board on 9th July 2025. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all time.

This opinion is based on an internal review of compliance against the Code, reported to the Board on 9th July 2025. 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 September 2024, which it formally adopted on 13th December 2024. 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 September 2024, which it formally adopted on 13th December 2024.

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 2024/25 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 2024/2025)
Xin Austin	31/03/21	4 years	Resigned Jan 2025	External Governor	Audit Committee HR Committee	91%
Mike Bateman	1st August 2017 Reappointed 30th June 2021 Term extended to 31/07/25 in April 2025	4 years		External Governor	Estates Strategy Group HR Committee RSA Committee SPA Steering Group	100%
Stella Charman	31/10/24	4 years		External Governor	CQL Committee HR Committee	94%
Ian Child	02/04/25	Initially for 1 year		External Governor	Audit Committee *Ex-officio member of Remuneration Committee as Chair of Audit*	100%
Simon Claridge	1st August 2017 Reappointed 30th June 2021 Term extended to 31/07/25 in April 2025	4 years		External Governor	HR Committee F&E Committee Estates Strategy Group (Chair) RSA Committee SPA Steering Group	66%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at Meetings (in the year 2024/2025)
Clive Dobbin	14th December 2015 Reappointed 4th July 2019 Re-appointed for 3rd exceptional 3-year term when current term of office ends in December 2024	3 years		External Governor	Elected as Chair for the 24/25 year on the 10/07/2024. In that capacity is ex-officio member of all committees except Audit.	97%
Yvanna Kenfack Donfack	10th July 2024	2 years	Ceased to be a student in July 2025	Student Governor	CQL Committee	64%
Lucy Flannery	31 October 2016 Reappointed 16 Sept 2020 Will complete service to Board October 2025	4 years	Service to Board completed 30 Oct 2025	External Governor	CQL Committee Search & Governance Committee	100%
Mike Gaston	20 April 2015	n/a		Principal	Ex-officio member of all committees except Audit and Remuneration Committees	95%
Elspeth Mackeggie Gurney	1st March 2019 Re-appointed for 2nd 4-year term on 14th December 2022	4 years		External Governor	Finance & Estates Committee (Chair) Member of ESG RSA Committee SPA Steering Group	88%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at Meetings (in the year 2024/2025)
Lorna Hayes	31/03/21	4 years		External Governor	HR Committee (Chair for 24/25) Search & Governance Committee As Chair of HR Committee, attends the Remuneration Committee for 24/25	78%
Romy Jones	22nd March 2018 Reappointed: 6th April 2022	4 years		External Governor	CQL Committee (Chair) RSA Committee SPA Steering Group	95%
Steve Jorden	10th July 2024	4 years	Resigned June 2025	External Governor	Audit Committee	10%
Keryn Landey	09/07/25	4 years		External Governor	Audit Committee	n/a
Melanie Luck	02/04/25	3 years		Support Staff Governor	CQL Committee	100%
Kamlesh Pandya	31st March 2021 Reappointed: 2nd April 2025	4 years		External Governor	F&E Committee CQL Committee (elected Chair of 24/25)	79%
Helen Read	13th December 2024	3 years	Resigned January 2025	Support Staff Governor	CQL Committee	75%
James Stefanaras	10th July 2024	2 years		Student Governor	CQL Committee	18%
Mike Tiller	13th December 2024	3 years		Teaching Staff Governor	CQL Committee	91%

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance at Meetings (in the year 2024/2025)
Tony Wright	1st March 2019 Re-appointed for a 2nd 4-year term of office on 14th December 2022	4 years	Resigned April 2025 effective from 31/07/25	External Governor	CQL Committee Search & Governance Committee. Elected Vice-Chair of Board for 24/25 year on 10th July 2024. In that capacity, Search & Governance (Chair), Remuneration (Chair)	80%
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 terms of reference, which have been approved by the Corporation. During 2024/25 these committees were Finance and Estates, Curriculum Quality and Learning, 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 and the RSA (Recovery, Sustainability and Accountability) Committee to oversee the implementation of the Financial Recovery Plan and the Organisational Change programme.

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.hsdc.ac.uk/governance-and-management/ or from the Clerk to the Corporation at:

Havant & South Downs College
College Road
Waterlooville
PO7 8AA

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

All Governors 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. Governors will not normally be eligible to serve more than two consecutive terms of office. Given that there is also a balance to be maintained between seeking new blood for the Corporation and making use of experienced members, particularly at times when a number of terms of office come to an end, the Search and Governance Committee will seek to adopt this advice but may, unusually, make recommendations that a further term of office be served. On such occasions, the Committee will outline clearly the reasons for this recommendation and the length of the additional term of office.

Corporation Performance

Governors monitor their own performance in a variety of ways. In 2024, 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 reduced 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 core elements and rotational aspects were developed in line with the Code of Good Governance and the Education Inspection Framework, including an Enhanced skills inspection element. The annual review was completed in the summer term 2025 and all of 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 31st July 2025. The outcomes and actions arising were reported to the Board on 9th July 2025.

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 ensures 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/External Board Review
- Governor annual 1:1 meetings with the Chair
- Sector developments
- Actions arising from normal committee operations.

During the 2024/2025 year, the focus for training was on:

- **25th September 2024** – Board briefing on KCSiE 2024.
- **7th October 2024** – The review and development of the IT Strategy.
- **5th February 2025** – Session cancelled due to staff sickness.
- **18th December 2024** – Board briefing on the management structure.
- **2nd April 2025** – Board briefing EHCPs, SEND and Independence Hub

- **23rd May 2025** – Governor Conference Day 1: Consideration of Accountability Statement and Action Plan, FIP and organisational change, contributions per campus, estate options for Alton campus and discussion on elements of the SPA process.
- **7th July 2025** – Governor Conference Day 2 (half-day): Development of Strategic Plan, Ambition 30 and annual KPIs for 25/26 and Governance Self-Assessment 24/25.

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. 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 2025, the College's Remuneration Committee comprised the Chair, Vice Chair the Chair of Audit Committee and the Chair of the HR Committee. 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 2025 are set out in note 7 to the financial statements.

Audit Committee

During 2024/2025, the Audit Committee comprised 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 autumn term and two vacancies during the Spring and Summer terms of 2025. The membership included two members with finance/accountancy qualifications until January 2025.

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 31st July 2025. The members of the Committee and their attendance records are shown below:

Membership during 2024/2025	Attendance during 2024/2025	Comments
Xin Austin	100%	Elected Chair December 2024 Resigned January 2025
Ian Child	100%	Elected Chair March 2025
Steve Jorden	0%	Resigned June 2025
Keryn Landey	67%	Co-opted member
Gemma White	0%	Co-opted member

Finance & Estates Committee

The Finance & Estates Committee comprises seven 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. Two vacancies existed on the committee during the 2024/25 year from March 2025.

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 Department for Education (DfE), 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 six 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.

Internal Control

Scope of Responsibility:

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between 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 2025 and up to the date of approval of the annual report and accounts.

Capacity to handle risk:

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2025 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 DfE's College Auditor Framework and Guide and the College Accounts Direction for the financial year 2024/2025.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 Validera, 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 monthly by the Executive and termly by the full Corporation and Audit Committee. In addition, 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 College has been impacted by two incidents that demonstrate weakness in the control environment:

- an incident that enabled a third party to request changes to an employee's bank account details that resulted in a fraudulent payment; and
- failings in the controls surrounding budgeting and financial forecasting that has resulted in a deteriorating financial position that those charged with governance were unaware of.

Responsibilities under funding agreements:

The Department for Education (DfE) and the Education and Skills Funding Agency (ESFA) introduced new controls for the College on 29th 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 2025. 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. The losses arising from the fraudulent payment highlighted above were well below the threshold where Department for Education prior approval is required for write-offs.

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 whilst acknowledging the weaknesses identified by the Head of Internal Audit and the ongoing actions required to strengthen internal controls.

The specific areas of work undertaken by the Audit Committee in 2024/2025 and up to the date of the approval of the financial statements are:

- Risk Management
- Counter-Fraud Health Check
- IT Health Check

- Health & Safety Management
- Fraud Investigation report
- Financial Controls – Capital Projects
- Information Governance
- Student Records – Apprenticeship onboarding

The Head of Internal Audit's Annual Opinion stated that, for 2024/2025:

The internal auditors have given the following opinion in their annual report

Havant and South Downs College has:

- adequate and effective risk management.
- adequate and effective governance; and
- inadequate and ineffective control processes.

In accordance with professional standards, they are required to consider, not only the results of our own internal audit work, but also the other available evidence and assurances they are aware of when arriving at our annual opinion.

The College has been impacted by two recent incidents that demonstrate weakness in the control environment:

- an incident that enabled a third party to request changes to an employee's bank account details that resulted in a fraudulent payment; and
- failings in the controls surrounding budgeting and financial forecasting that has resulted in a deteriorating financial position that those charged with governance were unaware of.

The Internal Auditor has limited their opinion in respect of the effectiveness of the internal control framework.

Review of effectiveness:

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

- the work of the internal auditors, Validera .
- 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 17th December 2025, the Corporation carried out the annual assessment for the year ended 31 July 2025 by considering documentation from the College Executive Leadership team and internal audit and taking account of events since 31 July 2025.

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 17th December 2025 and signed on its behalf by:

Mr Clive Dobbin – Chair of Corporation

Mr M Gaston – Principal & Accounting Officer

Statement of regularity, propriety and compliance

As accounting officer of the corporation of Havant & South Downs College I confirm that I have had due regard to the framework of authorities governing regularity, propriety and compliance, including the college's accountability agreement with DfE, and the requirements of the College Financial Handbook. I have also considered my responsibility to notify the corporation's board of governors and DfE of material irregularity, impropriety and non-compliance with terms and conditions of all funding.

I confirm that I, and the board of governors, are able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities.

I confirm that no instances of material irregularity, impropriety or non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of governors and DfE.

Mike Gaston – Principal & Accounting Officer

17th December 2025

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

17th December 2025

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the college's accountability agreement, funding agreements and contracts with ESFA and DfE, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, DfE's College Accounts Direction and the UK's Generally Accepted Accounting Practice. In preparing the financial statements, the corporation is required to:

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

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

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

The corporation is responsible for the maintenance and integrity of its website; the work carried out by auditors does not involve consideration of these matters and, accordingly, 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 to DfE, and any other public funds, are used only in accordance with the accountability agreement, funding agreements and contracts and any other conditions, that may be prescribed from time to time by DfE, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "College Financial Handbook. On behalf of the corporation, the chair of the board of governors is responsible for discussing the accounting officer's statement of regularity, propriety and compliance with the accounting officer.

Approved by order of the members of the corporation on 17th December 2025 and signed on its behalf by:

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 2025 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, 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 2024 to 2025.

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation’s affairs as at 31 July 2025 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 2024 to 2025 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 Framework and Guide for External Auditors and Reporting Accountants of Colleges issued by the Department for Education ('DfE') 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 37, 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. 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 DfE 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 DfE 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. 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 Audit Limited

Bishop Fleming Audit Limited
Chartered Accountants
Statutory Auditors
Brook House
Winslade Park
Manor Drive
Clyst St Mary
Exeter
EX5 1GD

Date: 19 December 2025

Statement of Comprehensive Income

	Notes	Year ended 31 July 2025	Year ended 31 July 2024
		£'000	**£'000**
INCOME			
Funding body grants	2	34,919	34,731
Tuition fees and education contracts	3	1,264	1,287
Other grants and contracts	4	2,524	2,105
Other income	5	2,424	3,221
Investment income	6	396	323
Total income		**41,527**	**41,667**
EXPENDITURE			
Staff costs	7	28,469	27,897
Staff restructuring costs	7	1,101	91
Other operating expenses	8	10,790	11,180
Depreciation and amortisation	11	3,315	2,976
Interest and other finance costs	9	100	71
Total expenditure		**43,775**	**42,215**
(Deficit) before other gains and losses and tax		**(2,249)**	**(548)**
Taxation	10	-	-
(Deficit) for the year		**(2,249)**	**(548)**
Actuarial gain/(loss) in respect of pension schemes (1)	21	(766)	(1,090)
Total Comprehensive Income for the year		**(3,015)**	**(1,638)**
Represented by:			
Unrestricted comprehensive income		(3,015)	(1,638)
		(3,015)	**(1,638)**

(1) See note 21 for pension asset recognition

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2023	**19,444**	**8,890**	**28,334**
Deficit from the income and expenditure account	(548)	-	(548)
Other comprehensive income	(1,090)	-	(1,090)
Transfers between revaluation and income and expenditure reserves	251	(251)	-
Total comprehensive income for the year	**18,057**	**8,639**	**26,696**
Balance at 31 July 2024	**18,057**	**8,639**	**26,696**
Deficit from the income and expenditure account	(2,249)	-	(2,249)
Other comprehensive income	(766)	-	(766)
Transfers between revaluation and income and expenditure reserves	251	(251)	-
Total comprehensive income for the year	**(2,764)**	**(251)**	**(3,015)**
Balance at 31 July 2025	**15,293**	**8,388**	**23,680**

Balance Sheet as at 31 July 2025

	Notes	2025 £'000	2024 £'000
Fixed assets			
Tangible fixed assets	11	61,022	54,300
		61,022	**54,300**
Current assets			
Stocks	12	22	28
Trade and other receivables	13	2,068	1,507
Cash and cash equivalents	17	11,035	11,601
		13,125	**13,136**
Creditors – amounts falling due within one year	14	(12,370)	(6,903)
Net current assets		**756**	**6,233**
Total assets less current liabilities		**61,778**	**60,533**
Creditors – amounts falling due after more than one	15	(37,668)	(33,513)
Provisions			
Defined benefit pension scheme	16	-	-
Other provisions	16	(430)	(324)
Total net assets		**23,680**	**26,696**
Unrestricted reserves			
Income and expenditure account		15,291	18,057
Revaluation reserve		8,389	8,639
Total unrestricted reserves		**23,680**	**26,696**

The financial statements on pages 59 to 75 were approved and authorised for issue by the corporation on and were signed on its behalf on that date by:

Clive Dobbin	**Mike Gaston**
Chair of Corporation	**Principal and Accounting Officer**

Statement of Cash Flows

	Notes	HSDC 2025 £'000	HSDC 2024 £'000
Cash inflow from operating activities			
Surplus/(Deficit) for the year		(2,249)	(548)
Adjustment for non-cash items			
Depreciation		3,315	2,976
Deferred capital grant release		(1,728)	(1,173)
(Increase)/decrease in stocks		6	1
(Increase)/decrease in debtors		(561)	(158)
Increase/(decrease) in creditors due within one year		5,106	(830)
Increase/(decrease) in creditors due after one year		0	(50)
Increase/(decrease) in provisions		(104)	(94)
Pensions costs less contributions payable		(748)	(1,063)
Reserves adjustment			
Adjustment for investing or financing activities			
Investment income		(396)	(323)
Interest payable		100	71
Restructuring facility grant to repay amounts borrowed		0	0
Loss on fixed asset write off			
Net cash flow from operating activities		2,741	(1,191)
Cash flows from investing activities			
Investment income		396	323
Capital grant receipts		6,249	14,503
Capital grants received (prior Year)		357	
Payments made to acquire fixed assets		(10,192)	(8,950)
		(3,190)	5,877
Cash flows from financing activities			
Interest paid		(118)	(98)
Restructuring facility grant to repay amounts borrowed		-	0
Repayments of amounts borrowed		-	0
		(118)	(98)
Increase / (decrease) in cash and cash equivalents in the year		**(567)**	**4,587**
Cash and cash equivalents at beginning of the year	18	11,602	7,015
Cash and cash equivalents at end of the year	18	11,035	11,602

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 2025, 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 College's financial statements have been prepared on a going concern basis which assumes that the College will be able to realise its assets and discharge its liabilities in the normal course of business.

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's financial health grade for 2024/25 is self-assessed 'Inadequate'. The College saw an increase in 16-19 learners at its September 2025 enrolment. The anticipated increase in lagged funding will present a further financial improvement to the College in setting its 2026/27 budget. Cost reduction plans are being developed with support from the Further Education Commissioner. The College has prepared forecasts to July 2030 which shows that cost savings of £3.818m and £323k have been achieved for 2025/26. The College will hold sufficient funds to operate and pay its liabilities as they fall due up to 31st July 2026. Given this, the members of the Corporation have concluded that the College is a going concern.

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 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 1st August 2014 are spread over the minimum lease term.

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

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

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

Stocks

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

Cash and cash equivalents

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

Financial liabilities and equity

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

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

Taxation

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

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

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation 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 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 2025. 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 2025 £'000	Year ended 31 July 2025 £'000
Recurrent grants		
Education and Skills Funding Agency - 16 to 18	27,178	28,550
Education and Skills Funding Agency - adult education	2,606	2,286
Education and Skills Funding Agency – apprenticeships	1,492	1,291
Office for Students	204	176
Specific Grants		
Administration of Learner Support Funds	35	37
Teacher Pension Scheme contribution grant	1,618	1,178
Education and Skills Funding Agency – Other	58	40
Releases of government capital grants	1,728	1,173
Total	**34,919**	**34,731**

Supplementary OfS disclosure

	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Grant Income		
Grant income from the OfS (recurrent)	204	176
Grant income from the OfS (capital)	12	12
Fee Income		
Fee income for taught awards	485	593
Total	**701**	**781**

The above disclosure includes HE grant and fee income only.

3 Tuition fees and education contracts

	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Adult education fees	493	541
Fees for FE loan supported courses	167	164
Fees for HE loan supported courses	117	76
International students' fees	336	299
Total tuition fees	1,113	1,080
Education contracts	151	207
Total	**1,264**	**1,287**

Notes to the Financial Statements (continued)

4 Other grants and contracts

	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Other grants and contracts	2,524	2,105
Total	**2,524**	**2,105**

5 Other income

	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Catering and residences	1,330	1,384
Student travel and trips	58	377
Nursery income	294	821
Exam fees	19	24
Other income generating activities	722	615
Total	**2,423**	**3,221**

6 Investment income

	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Other interest receivable	396	323
Total	**396**	**323**

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:

	2025 No.	2024 No.
Teaching staff	401	431
Non-teaching staff	522	579
	923	**1,010**

Staff costs for the above persons	**£'000**	**£'000**
Wages and salaries	21,273	21,133
Social security costs	2,253	2,011
Other pension costs	4,716	4,383
Payroll sub-total	**28,242**	**27,527**
Contracted out staffing services.	227	370
	28,469	**27,897**
Restructuring costs - contractual	896	5
Restructuring costs - non-contractual	205	86
	29,570	**27,988**

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 and Chief Executive, Deputy Principal (Curriculum), Deputy Principal (Finance and Estates), Vice Principal (Students, Learning and Quality, the Vice Principal (People and Organisational Development) and the clerk to the corporation.

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

	2025 No.	2024 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		Other staff	
	2025	**2024**	**2025**	**2024**
£50,001 to £55,000	1	1	-	-
£55,001 to £60,000	-	-	-	-
£60,001 to £65,000	1	-	10	10
£65,001 to £70,000	-	-	1	1
£70,001 to £75,000	1	2	-	-
£85,001 to £90,000	-	-	-	-
£90,001 to £95,000	2	2	-	-
£155,001 to £160,000	1	1	-	-
	6	**6**	**11**	**11**

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 £65,001 to £70,000 band.

Key management personnel compensation is made up as follows:

	2025	2024
	£'000	**£'000**
Basic salary	534	545
Employers National Insurance Contributions	59	67
Benefits in kind	-	-
	594	**612**
Pension contributions	116	139
Total emoluments	**710**	**751**

Notes to the Financial Statements (continued)

7 Staff costs (continued)

There was 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:

	2025	2024
	£'000	£'000
Basic salary	157	157
Performance related pay and bonus	-	-
Benefits in kind	-	-
	157	**157**
Pension contributions	45	37

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 Ambition 2030 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.

Notes to the Financial Statements (continued)

7 Staff costs (continued)

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

	2025	2024
Principal basic salary as a multiple of the median of all staff	4.5	4.8
Principal total remuneration as a multiple of the median of all	4.8	4.8

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

£42,300 was paid to 1 former key management personnel for loss of office in 2024/25 (2023/24: £NIL).

Severance payments for all staff

The college paid 89 severance payments in the year, disclosed in the following bands:

£0-£25,000	82
£25,001-£50,000	7
£50,001-£100,000	0
£100,000-£150,000	0
£150,000+	0

Included in staff restructuring costs are 89 special severance payments totalling £205,141 (2023/24: 9 totalling £49,151). Of these, 86 are for less than £5,000, one is for £5,278, one is for £5,862 and one is for £23,246.56.

Notes to the Financial Statements (continued)

8 Other operating expenses	2025 £'000	2024 £'000
Teaching costs	479	299
Non-teaching costs	5,815	5,953
Exam costs	1,200	1,137
Premises costs	3,296	3,792
Total	**10,790**	**11,181**

Other operating expenses include:	2025 £'000	2024 £'000
Auditors' remuneration (incl VAT):		
Financial statements audit	48	45
Funding review audit	4	4
Teachers' pension audit	1	1
Internal audit	21	13
Hire of assets under operating leases	177	286
Depreciation	3,315	2,976

9 Interest and other finance costs	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
On finance leases	118	98
Net interest on defined pension liability (Note 22)	(18)	(27)
Total	**100**	**71**

10 Taxation

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

Notes to the Financial Statements (continued)

11 Tangible fixed assets

	Land and Buildings Freehold £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2024	80,023	6,673	2,626	89,322
Additions	9,122	1,070	-	10,192
Disposals*	-	(457)	-	(457)
Transfers	2,591	35	(2,626)	-
At 31 July 2025	**91,736**	**7,321**	**-**	**99,057**
Depreciation				
At 1 August 2024	31,008	4,015	-	35,023
Charge for the year	2,292	1,166	-	3,458
Elimination in respect of disposals	-	(445)	-	(445)
At 31 July 2025	**33,300**	**4,736**	-	**38,036**
Net book value at 31 July 2025	**58,435**	**2,585**	**-**	**61,022**
Net book value at 31 July 2024	49,015	2,658	2,626	54,299

**The College wrote off £457k of old equipment with a Net Book Value of £0*

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 £296k in respect of assets held under finance leases (2024: £586k). The depreciation charge for the year on these assets was £392k (2024 £467k).

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

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

Notes to the Financial Statements (continued)

12 Stock

	2025 £'000	2024 £'000
Stock	22	28
Total	**22**	**28**

13 Trade and other receivables

	2025 £'000	2024 £'000
Amounts falling due within one year:		
Trade receivables	363	83
Prepayments and accrued income	1,052	930
Amounts owed by the ESFA/DfE	563	171
Other debtors	90	323
Total	**2,068**	**1,507**

14 Creditors: amounts falling due within one year

	2025 £'000	2024 £'000
Obligations under finance leases	367	308
Trade creditors	2,319	1,258
Other creditors	765	402
Other taxation and social security	504	450
Holiday pay accrual	809	853
Accruals and deferred income	2,245	850
Deferred income - government capital grants	1,837	1,586
Deferred income - government revenue grants	53	458
Amounts owed to the ESFA/DfE	3,469	738
Total	**12,368**	**6,903**

15 Creditors: amounts falling due after one year

	2025 £'000	2024 £'000
Obligations under finance leases	283	278
Deferred income - government capital grant	37,389	33,235
Total	**37,672**	**33,513**

Notes to the Financial Statements (continued)

16 Provisions

	Defined benefit obligations	Dilapidations provision	Total
	£'000	£'000	£'000
At 1 August 2024	-	325	325
Expenditure in period	2,239	0	2,239
Additions in period	(2,239)	104	(2,135)
At 31 July 2025	-	**429**	**429**

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in Note 21.

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 2025/26.

17 Cash and cash equivalents

	At 1 August 2024	Cash flows	New finance leases	At 31 July 2025
	£'000	£'000	£'000	£'000
Cash and cash equivalents	11,601	(566)	-	11,035
Obligations under finance leases	(255)	247	(577)	(585)
Total	**11,346**	**(319)**	**(577)**	**10,450**

18 Capital commitments

	2025	2024
	£'000	£'000
Commitments contracted for at 31 July	0	1,063
Total	**0**	**1,063**

Notes to the Financial Statements (continued)

19 Lease obligations

Operating Leases

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

	2025 £'000	2024 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	41	60
Later than one year and not later than five years	205	243
Later than five years	124	165
Total	**370**	**468**
Other		
Not later than one year	42	59
Later than one year and not later than five years	188	217
Later than five years	0	10
Total	**230**	**286**

Finance Leases

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

	2025 £'000	2024 £'000
Future minimum lease payments due		
Not later than one year	367	308
Later than one year and not later than five years	283	278
Later than five years	-	-
Total	**650**	**586**

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

Notes to the Financial Statements (continued)

20 Events after the reporting period

There are no events after the reporting period.

21 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	**2025**		**2024**	
	£'000	**£'000**	**£'000**	**£'000**
Teachers' Pension Scheme: contributions paid		3,280		2,853
Local Government Pension Scheme:				
Contributions paid	2,286		2,590	
FRS 102 (28) charge	(748)		(1,063)	
Charge to the Statement of Comprehensive Income		1,538		1,527
Total Pension Cost for Year		**4,818**		**4,380**

Teachers' Pension Scheme

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

The 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.

Notes to the Financial Statements (continued)

21 Defined benefit obligations (continued)

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 Government Actuary's Department conducts a formal actuarial review of the TPS every 4 years. The aim of the review is to ensure scheme costs are recognised and managed appropriately and the review specifies the level of future contributions. As a result of the last scheme valuation, based on 2020 data, employer contributions were increased in April 2024 from a rate of 23.6% to 28.6%. Employers also pay a charge equivalent to 0.08% of pensionable salary costs to cover administration expenses. A copy of the latest valuation report can be found by following this link Valuation result | 10 | 2023 (teacherspensions.co.uk) The next valuation, based on 2024 data, is expected to take effect in 2027.

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 2025 were £2,722,000 of which employer's contributions totalled £2,239,000 and employees' contributions totalled £483,000. The agreed College contribution rate is 18.9% from April 2025. It ranges from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Notes to the Financial Statements (continued)

21 Defined benefit obligations (continued)

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.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31st March 2022 updated to 31st July 2025 by a qualified independent actuary.

	At 31 2025	At 31 2024
Rate of increase in salaries	3.75%	3.75%
Future pensions increases	2.75%	2.75%
Discount rate for scheme liabilities	5.80%	5.00%
Inflation assumption (CPI)	2.75%	2.75%

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 2025 Years	At 31 July 2024 Years
Retiring today		
Males	22.30	22.00
Females	24.80	24.70
Retiring in 20 years		
Males	22.70	22.50
Females	25.70	25.60

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

	Fair Value 2025 £'000	Fair Value 2024 £'000
Equities	29,353	32,954
Bonds	18,482	22,169
Property	4,892	4,194
Cash	1,631	599
Total fair value of assets	**54,358**	**59,916**
Actual return on plan assets	**1,082**	**1,888**

Notes to the Financial Statements (continued)

21 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:

	2025 £'000	2024 £'000
Fair value of plan assets	54,358	59,916
Present value of plan liabilities	(54,358)	(59,916)
Net pensions liability (Note 17)	-	-

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

	2025 £'000	2024 £'000
Amounts included in staff costs		
Current service cost	1,376	1,527
Past service cost	115	-
Total	**1,491**	**1,527**
Amounts included in interest payable		
Net interest charge	(18)	(27)
	(18)	**(27)**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	1,082	1,888
Experience gains/(losses) arising on defined benefit obligations	(1,848)	(2,978)
Changes in assumptions underlying the present value of the plans liabilities	-	-
Amount recognised in Other Comprehensive Income	**(766)**	**(1,090)**

Notes to the Financial Statements (continued)

21 Defined benefit obligations (continued)

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

	2025 £'000	2024 £'000
Net defined benefit (liability)/asset in scheme at 1 August	-	-
Movement in year:		
Current service cost	(1,376)	(1,527)
Employer contributions	2,239	2,590
Past service cost	(115)	-
Net interest on the defined (liability)/asset	18	27
Actuarial gain/(loss)	(766)	(1,090)
Net defined benefit liability 31 July	-	-

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2025 £'000	2024 £'000
Defined benefit obligations at start of period	59,916	57,039
Current Service cost	1,376	1,527
Interest cost	2,997	2,890
Contributions by Scheme participants	483	506
Experience (gains)/losses on defined benefit obligations	(8,685)	(413)
Estimated benefits paid	(1,844)	(1,633)
Curtailment cost	115	-
Defined benefit obligations at end of period	**54,358**	**59,916**

Change in fair value of plan benefits

	2025 £'000	2024 £'000
Fair value of plan assets at start of period	59,916	57,039
Interest on plan assets	3,015	2,917
Return/(loss) on plan assets	(9,451)	(1,503)
Employer contributions	2,239	2,590
Contributions by Scheme participants	483	506
Estimated benefits paid	(1,844)	(1,633)
Fair value of assets at end of period (1)	**54,358**	**59,916**

(1) See below for pension asset recognition.

Notes to the Financial Statements (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

(1) Note: The actuarial report for the Local Government Pension Scheme at 31 July 2025 shows an actuarial gain which has resulted in a pension asset of £16,874k (2024: £6,039k) has been capped to the value of the scheme liabilities, not recognising any asset position.

However, the College has not recognised this pension asset in the Balance Sheet in respect of the defined benefit pension plan (and enhanced pensions benefits), and therefore it is shown as a nil balance in the Balance Sheet, and the actuarial gain has also been reduced by this amount. As management do not consider that the College will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements in line with paragraph 28.22 of FRS102

22 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 (2024: £Nil).

The total expenses paid to or on behalf of the Governors during the year was £91 (2024: £2,406). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

23 Amount Disbursed as Agent - Learner Support Funds

The College distributes 16-19 discretionary and vulnerable bursaries and free meals in further education (FEFM) funds to students as an agent for DfE. In the accounting period ended 31 July 2025, the college received a total of £689k and disbursed £735k from DfE 16-19 discretionary and vulnerable bursaries and FEFM funding after charging £31k for administration costs.

As at 31 July 2025, the cumulative unspent 16-19 discretionary and vulnerable bursary funds and FEFM funding is £455k, of which £7k relates to funds that are in scope to be returned to DfE in March 2026. Comparatives for the accounting period ended 31 July 2024 are £735k received from ESFA, £734k disbursed to learners after charging £33k for administration costs, and total cumulative unspent funds of £532k, of which there was nothing was repaid to ESFA.

Mike Gaston, Helen Read, Melanie Luck and Mike Tiller were employed by the College and were governors for the period. They were remunerated for their role as a member of staff and not for their role as a governor.

24 Events after the end of the reporting period

There are no events after the reporting period.

Independent reporting accountant's report on regularity to the corporation of Havant & South Downs College and Secretary of State for Education

In accordance with the terms of our engagement letter dated 12 May 2025 and further to the requirements of the Department for Education (DfE), as included in the extant Framework and Guide for External Auditors and Reporting Accountants of Colleges, 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 2024 to 31 July 2025 have not been applied to the purposes identified by Parliament or the financial transactions do not conform to the authorities which govern them.

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

Respective responsibilities of the accounting officer of Havant & South Downs College and the reporting accountant

The accounting officer is responsible, under the requirements of the corporation's accountability agreement with the Secretary of State for Education and the College Financial Handbook, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament, and that 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 extant Framework and Guide for External Auditors and Reporting Accountants of Colleges. 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 2024 to 31 July 2025 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 Framework and Guide for External Auditors and Reporting Accountants of Colleges issued by the DfE, which requires a limited assurance engagement, as set out in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and 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 and propriety of the corporation's income and expenditure.

The work undertaken to draw our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across the corporation'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 corporation's self-assessment questionnaire ("SAQ");
- 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 understanding the control environment that the corporation has policies and delegated authorities in respect of procurement; 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 Framework and Guide for External Auditors and Reporting Accountants of Colleges.

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 2024 to 31 July 2025 has not been applied to purposes intended by Parliament, or that the financial transactions do not conform to the authorities that govern them.

Bishop Fleming Audit Limited

Reporting accountant
Bishop Fleming Audit Limited
Chartered Accountants
Statutory Auditors
Brook House
Winslade Park
Manor Drive
Clyst St Mary
Exeter
EX5 1GD

Date: 19 December 2025