



**EASTLEIGH COLLEGE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR TO**

**31 JULY 2022**

**CONTENTS**

	<b>Page</b>
Key Management Personnel, Board of Governors and Professional Advisers	2
Operating and Financial Review	3
Statement of Corporate Governance	15
Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding	23
Statement of Responsibilities of Members of the Corporation	24
Independent Auditors' Report to the Corporation of Eastleigh College	25
Consolidated and College Statement of Comprehensive Income & Expenditure	28
Consolidated and College Statement of Changes in Reserves	29
Consolidated and College Balance Sheet as at 31 July 2022	30
Consolidated Statement of Cash Flows	31
Notes to the Financial Statements	32
Independent Reporting Accountant's Report on Regularity to the corporation of Eastleigh College and Secretary of State for Education, acting through Education and Skills Funding Agency (ESFA)	55

**KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS**

**Key Management Personnel**

Key management personnel are defined as members of the Senior Management Team and were represented by the following in 2021/22:

Paul Cox, Chief Executive  
Pete Jodrell, Deputy Principal (Curriculum and Digital)  
Kevin Jones, Vice Principal (Finance, Funding and Management Information)  
Paul Stannard, Vice Principal (Quality, Compliance & Improvement)

**Board of Governors**

A full list of Governors is given on pages 15 and 16 of these Financial Statements.

Dr Christopher Davis, OBE, was Clerk to the Board until 31 December 2021.

Following a handover period in December 2021 Governance4FE Ltd was contracted to provide a governance advisory service from January 2022 for the remainder of the financial year 2021/22. A governance advisory service is currently provided by Remarkable Things Limited.

**Professional Advisors**

**Financial Statements auditors and reporting accountants:**

McKay, Stuart  
McIntyre Hudson LLP  
6<sup>th</sup> Floor  
2 London Wall Place  
London  
EC2Y 5AU

**Internal auditors:**

TIAA  
Artillery House  
Fort Fareham  
Newgate Lane  
Fareham  
PO14 1AH

**Bankers:**

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

Lloyds Bank plc  
25 Gresham Street  
London  
EC2V 7HN

### **OPERATING AND FINANCIAL REVIEW**

#### **NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited Financial Statements for the year ended 31 July 2022.

#### **Status of Eastleigh College**

Eastleigh College is a further education Corporation established under the Further and Higher Education Act 1992, and is an independent organisation. The Corporation was incorporated as Eastleigh College on 30 September 1992. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

#### **Vision, Mission and Values**

The College adopted its current strategy including the vision, mission and values statement as approved by the Board in May 2020:

##### **Our Vision**

By 2024 be the first choice technical and professional College for learners, employers and staff across the Solent and South Hampshire.

##### **Our Mission**

Successful careers, business prosperity and strong communities through excellence and opportunity in technical and professional education, training and apprenticeships.

##### **Our Values**

Eastleigh College staff and governors believe our learners should be career ready and that the behaviours for the workplace flow through everything we do, including what we expect of our staff and learners whilst they are on-site with us, or out representing us. The College seeks to embed workplace values and expects its staff and learners to be:

Respectful - polite, tolerant, honest, friendly, supportive

Professional - punctual, prepared, lead by example, meet deadlines

Ambitious - aim high, be your best, exceed targets, be inquisitive

Resilient - commit, be determined, keep going however hard it gets, manage own wellbeing

##### **Strategic Principles**

Our Strategic Plan can be found at:

<https://eastleigh.s3.amazonaws.com/Documents/2020/strategy/Eastleigh%20College%20Strategy%202020-2024.pdf>

The College has worked closely with the Department for Education's Education and Skills Funding Agency (ESFA) and the Further Education Commissioner. In January 2020 the College requested a Further Education Commissioner Diagnostic Assessment. This was successfully concluded during 2021/22.

The strategy requires and has delivered a reduction in subcontracted activity. The 2018/19 accounts presented income of £27,759k, the equivalent figure for this set of accounts for 2021/22 is £16,807k, a reduction of 39% in just three years mainly as a result of a reduction in subcontracted activity.

The College has formed the view that a small general further education College cannot survive alone in the South Hampshire area and has over several years been seeking one or more partners to form a larger merged College. Since January 2020 the College has been proactively seeking a merger solution

**OPERATING AND FINANCIAL REVIEW (continued)**

in the Solent region, and alternatives. At its meeting of June 2022, the Board concluded that given funding levels and policy direction that the College needed to merge to fulfil its ambitions for learners, colleagues and the communities served. At its meeting of September 2022, the Board passed multiple resolutions to actively pursue merger with City College Southampton and Fareham College.

**Public Benefit**

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education and are clear of the Governance roll to deliver the College aims for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

**Public Benefit**

- High-quality teaching
- Strong focus on learner attendance leading to achievement
- Widening participation and tackling social exclusion
- Excellent employment record for and destinations for learners
- Strong student support systems and safeguarding
- Meeting the skills needs of employers, industry and commerce
- Detailed understanding of the learner community and identifying opportunities that can benefit that community
- Community links to provide wider learner experience and course pathway options
- Links with Local Enterprise Partnerships (LEPs)
- Welcoming and supporting those from displaced international communities entering the region, including College of Sanctuary status

**Students and apprentices**

During 2021/22 the College had 1,178 students funded under 16-18 rules, 1,140 apprentices, 6,170 students following a non-advanced further education course and 140 students following a higher education course.

**Financial Targets**

The College's financial key performance indicator (KPI) is to achieve a minimum Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) of 6% of income by July 2024.

Supplementary financial performance measures (KPM) are:

- Total surplus as % of income is greater than 2% by July 2024.
- Minimum cash days in hand is 40 days
- Pay to net (inclusive) income ratio of 65% by July 2024.

**Financial Results**

A table showing financial information for the College and presenting the calculation of the key performance indicator and the supplementary financial performance measures is provided overleaf.

**OPERATING AND FINANCIAL REVIEW (continued)****Financial Results (continued)**

Eastleigh College 21/22 financial performance table		£'000s
Income		16,807
Income less sub-contractor activity		14,491
Expenditure		18,530
Expenditure less non-cash items		15,467
Therefore value of one cash day		42
Cash		1,912
Number of cash days held at the end of the financial year		45
Pay		10,468
Pay less FRS 102 pay		9,651
Pay to income less sub contractor activity		67%
Surplus		(1,722)
EBITDA - surplus adjusting for depn, interest, FRS102 and cap grnts		389
Surplus to income		-10.2%
EBITDA to income		2.3%

As can be seen the College ended the year 4% adrift from its medium-term target of achieving an EBITDA of 6% of income. This was after releasing £1,181k of provisions which had been charged in previous years. Without this release there would be a negative EBITDA of 5% of income. The College forecasts its medium-term EBITDA target will neither be achieved in 2022/23 nor 2023/24.

The College has a wholly owned subsidiary company, Eastleigh College Limited. Its principal business to conduct motor vehicle MOTs. Surpluses generated by the company are transferred to the College by deed of covenant.

**Treasury Policies and Objectives**

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions and the control of risks associated with these activities. The College has a Treasury Management Strategy which sets out the control framework within which treasury management activity takes place. The objectives of the College's Treasury Management Strategy are: to minimise risk, to preserve liquidity, to minimise cost without compromising either of the above objectives and to comply with statute, regulations and best practice. All borrowing requires the authorisation of the Board and shall comply with the requirements of the Funding Agreement with the ESFA.

**Liabilities**

The College has identified a contingent liability arising from a complaint made against the College which has the potential to become an ongoing liability. The College is taking legal advice to defend robustly its legal position.

**OPERATING AND FINANCIAL REVIEW (continued)**

**Cash Flows**

The Cash Flow Statement shows a cash outflow in 2021/22 of £3,016k (2020/21 = £1,150k inflow).

**Borrowing**

At 31 July 2022 the College's total borrowing was £3,082k (2020/21 = £3,547k). All borrowing is with Lloyds bank and the loan contract covers the period 30 September 2023.

**Reserves**

The College has no formal Reserves Policy.

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

**Department for Education Funding**

£13,118k or 78% of the College's income comes directly from the Department for Education (DfE).

For 16-18 students the College is funded by the DfE according to the number of learners it recruits. In 2021/22, the DfE gave the College a target to recruit 1,107 learners.

Funding for adult education is based on the course studied and whether or not the student is successful.

Funding for apprenticeships is complex and includes funding paid over by the DfE but drawn from employers' apprenticeship levy.

**Student Achievement**

Our courses range from Entry to Degree Level and a variety of modes of delivery including full time, part time (including leisure learning), apprenticeships, workplace learning and full cost provision delivered either in College, online, or on employers' premises. In 2021/22 College House offered a residential facility where independent living skills to learners with moderate learning difficulties were taught. Due to changing demand 2021/22 will be the final year of delivery at College House.

The College works with a large number of employers. In 2021/22 over 1,200 had employees studying or on an apprenticeship with the College.

**OPERATING AND FINANCIAL REVIEW (continued)****Student achievement (continued)**

Achievement rates are the proportion of students who complete their course and gain the qualification they are aiming for. They should not be confused with pass rates which merely measure the success rate of students who complete their courses.

In 2021/22 our 16-18 students successfully achieved 89.4% of the qualifications they set out to gain. This high level of achievement is about 9% above the national average rate.

		<b>16-18 Achievement Rates in 21/22 in Hampshire</b>		
	<b>Rank</b>	<b>College</b>	<b>Achievement</b>	
			<b>Rate</b>	
		1 Eastleigh College	89.4%	
		2 Fareham College	84.5%	
		3 Itchen College	84.3%	
		4 Sparsholt College	81.9%	
		5 Basingstoke College of Technology	81.5%	
		6 Southampton City College	80.9%	
		7 City of Portsmouth College	80.1%	
		8 Brockenhurst College	78.4%	
		9 Havant and South Downs College	77.4%	
		10 Farnborough College of Technology	77.1%	

In 2021/22 the College overhauled the level and types of qualifications offered as part of our adult curriculum offer making a significant shift from a predominance of entry level qualifications to larger and more useful level 1 and 2 qualifications. 2021/22 was also the first full year of operation for 'Eastleigh College Online' (ECO). ECO provides a suite of online on demand professional qualifications, The achievement rate of our adult students in 2021/22 was 87%.

		<b>Adult Achievement Rates in 21/22 in Hampshire</b>		
	<b>Rank</b>	<b>College</b>	<b>Achievement</b>	
			<b>Rate</b>	
		1 Brockenhurst College	96.8%	
		2 Eastleigh College	87.2%	
		3 Havant and South Downs College	86.2%	
		4 Farnborough College of Technology	85.2%	
		5 Fareham College	84.5%	
		6 Sparsholt College	84.3%	
		7 City of Portsmouth College	83.8%	
		8 Southampton City College	83.5%	
		9 Basingstoke College of Technology	81.3%	
		10 Itchen College	79.8%	



**OPERATING AND FINANCIAL REVIEW (continued)****Student achievement (continued)**

Apprenticeships illustrate the difference between pass rates and achievement rates. Our apprentices had a pass rate of 89% (and a first time pass rate of 81%) but their achievement rate was only 51%. The College's headline apprenticeship achievement rate continues to be negatively impacted by historic sub-contracting and the College's obsolete 'Assessment Centre' delivery model. The final subcontractor and 'Assessment Centre' apprentices are due to complete in 2022/23.

**Payment of our Suppliers**

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. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2021 to 31 July 2022 the College paid 55% of its invoices within 30 days. The 55% of the invoices paid within 30 days represents 74% of the total expenditure in that period. The College incurred no interest charges in respect of late payment for this period.

**Events After the Reporting Period****Merger Consultation**

On 29 March 2023 Eastleigh College, City College Southampton and Fareham College invited public feedback on a proposal to merge the three Colleges in the Summer of 2023.

Following an initial Department for Education recommendation in May 2022, Eastleigh College, City College Southampton and Fareham College have actively explored the opportunities afforded by merger of the three Colleges. To achieve the merger, the Corporations of Eastleigh College and City College Southampton would dissolve with their assets and liabilities transferring to Fareham College. The Corporation of Fareham College would be renamed the South Hampshire College Group to reflect the newly formed College. The public consultation ended on 2 May 2023. The Corporation will review results of the consultation at the Extraordinary Board Meeting on 17 May 2023.

**ONS Decision**

In November 2022, the Office for National Statistics announced that it had reclassified further education Corporations as part of central government. A consequence of this is that in future further education Corporations will only be able to enter new borrowing agreements under exceptional circumstances which are unlikely to occur. This reclassification changes the framework in which the College operates. Having reviewed initial guidance from the Department for Education and the Association of Colleges, the Governors do not believe this reclassification has an impact on the financial results prepared within these financial statements as the changed conditions arose after the end of the reporting period.

**Covenant Breach**

In January 2023 the College determined that it had breached one of its financial condition covenants with Lloyds Bank (its lender). In March 2023 Lloyds Bank issued a reservation of rights letter. Lloyds Bank has taken no action to recover the sums lent to the College. The College maintains good links with representatives of Lloyds Bank.

**University Centre**

In 2023 the Department for Education awarded Eastleigh College University Centre status. This award was celebrated at ceremony held at the College on 28 April 2023.

**OPERATING AND FINANCIAL REVIEW (continued)****Liabilities**

In March 2023 the Board, having taken legal advice, closed the complaint made against it that was made following the closure of a contractual dispute. Therefore, the College has confirmed to the DfE / ESFA that the matter is considered closed in its entirety.

**Future Developments**

There are no significant future developments.

**Resources**

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

**Property**

Freehold property includes the main College site in Chestnut Avenue, which includes extensions to D Block and B Block constructed as part of the £10m Redevelopment Project in 2007/08, a refurbished B Block and a new teaching Block (E Block). The Refectory and C Block have all been refurbished providing modern learning environments and social space. A new teaching block and a new Advanced Technology Block were also completed in 2016/17. The outdated former library space was refurbished during 2021 including roof repairs, heating and removal of internal walls to create a modern learner focussed flexible space. The new Learner Hub was opened by the local MP, Paul Holmes, on 3 September 2021 just in time for the new learning year.

The College has a long leasehold from Hampshire County Council of a small residential unit at Compton near Winchester, some seven miles north of the main campus. This two-storey building was constructed specifically for learners with special needs and includes residential accommodation. The Hive, the College's purpose-built work environment unit, is also located at this site. 2021/22 was the last year of intended use of this space and therefore after conducting an impairment review the College has written down its investment in this property – see note 11 to the financial statements.

**People**

The average headcount of persons employed by the College during the year was 327.

**Reputation**

The College's high achievement rates are the cornerstone of its reputation. This foundation is supported by recognition through multiple local, regional and national awards (most recently University Centre status – see post balance sheet events).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Board of Governors approved a set of fourteen core College risks on 7 July 2021 based on a full review of its approach to Risk Management. The College now has a focussed set of risks.

The risk register includes scoring of both gross risk and net risk and the outcome is presented in a simple risk matrix. Risk Management Board reviews all individual risks at least three times a year. Each risk is linked to a Governor committee meeting and is included as a standard agenda item at all meetings. The new approach to risk was audited by the internal audit service provider in September 2021 and assessed as providing substantial assurance. During 2021/22 a further risk was added to the risk register (Failure to adapt to societal and behavioural changes). The risk register included fifteen risks at the end of July 2022.

**OPERATING AND FINANCIAL REVIEW (continued)**

**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

Outlined below are the five principle risks the College identified in 2021/22.

**1. Government Funding**

The College has considerable reliance on continued Government funding. In 2021/22 78% of the College's revenue was publicly funded.

The funding for adult education is being progressively devolved to Mayoral Authorities. In 2021/22 the College no longer had a contract to operate in the London area. Further devolution may bring additional risks and opportunities.

**2. Tuition Fee Policy**

The College has in recent years been increasing tuition fees in line with the increase in CPI and so far, demand has been seemingly unaffected by the rises and has in fact continued to grow. The College has however had to be mindful of what the market will bear as price elasticity of adult learning for the College is not readily predictable and the risk for the College is that demand will ultimately reduce as fees increase.

This risk is mitigated by ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students, and by close monitoring of the demand for courses and competitors' pricing strategies. The College continuously reviews funding opportunities to provide free or co-funded courses to ensure the best deal for learners.

**3. Maintain Adequate Funding of Pension Liabilities**

The Financial Statements report the College's share of the Hampshire County Council (HCC) local government pension scheme (LGPS) deficit on the College's balance sheet in line with the requirements of FRS102. Following significant changes in the actuarial assumptions used in calculating the deficit, the deficit has been reduced this year and whilst the College still has a negative pension liability, the liability risk is much reduced.

The valuation of the College's liability is affected by mortality projections and interest rates. Every three years the LGPS is revalued and this also takes into account investment performance. Additionally, the pension fund can review the risk level associated with the College when determining contribution levels.

All these factors combined produced considerable volatility in this liability.

**4. Risks Related to the College's Property**

The most recent major investment in the College's buildings was completed in 2017. The College has no plans for adding new buildings. The estate is generally in good visible condition, but there are parts of the original 1960s building which are now coming to end of life including water pipes, electrical and mechanical as well as externally, single glazing, flat roofs, soffits, fascia's and guttering.

For example, in March 2021, the College main boiler system servicing blocks A, B, C and D broke down and was identified as beyond repair. A hired boiler was set up in the car park to ensure continued heating and hot water supplies for most of 2021/22. Consultant heating engineers worked with the College to design a new more efficient heating system and supported the successful bid for Public Sector Decarbonisation Scheme funding from Salix as part of the College strategy to reduce its carbon emissions.

A difficulty in finding sufficient funds to maintain the College's properties and develop a modernisation programme to reflect changing methods of curriculum delivery poses a risk to the College's educational strategy.

**OPERATING AND FINANCIAL REVIEW (continued)****5. Failure to Maintain the Financial Viability of the College**

The College believes the best way to contain this risk is to pursue actively a sound merger proposition.

**STAKEHOLDER RELATIONSHIPS**

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

- Students
- Employers
- The local community
- Education sector funding bodies
- Local Enterprise Partnerships
- Local authorities
- Government offices
- Staff
- Other FE institutions
- Universities
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through various means including regular meetings, e-mail, the College website, social media and various publications. The College has in place a Communication and Consultation Strategy which provides a comprehensive framework to facilitate effective two-way communication with staff.

**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 period: 4  
FTE employee number: 3.2 fte

<b>Percentage of Time</b>	<b>Number of employees</b>
0%	0
1 – 50%	4.0
51% - 99%	0
100%	0
Provide the total cost of facility time	£9,922.36
Provide the percentage of the total pay bill spent on facility time	1%
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:	425 hours
Total hours spent on trade union activities by relevant union officials during the relevant period	11.4%

**OPERATING AND FINANCIAL REVIEW (continued)**

**Disability Statement**

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

- The accommodation strategy ensures all decisions includes consideration for access and facilities for all learners
- The College has access professionals to provide information, advice and support to learners with disabilities as well as to managers to inform their decisions
- There is a list of available specialist equipment and assistive technology available for learners as well as specialist software widely available on networked computers
- The admissions policy of the College provides details of the services and support the College can provide to learners with disabilities
- Learning support assistance is available to learners based on their learning needs assessments
- The College has specialist facilities at College House including equipped residential accommodation which has had significant recent investment in bathrooms and kitchens

**Equality & Diversity**

The College is committed to ensuring equality of opportunity to its learners and for staff. The College wishes to create a culture where mutual trust and respect are the foundation for working relationships across the College learning community.

In order to demonstrate our commitment to equality and diversity we will:

- Assess the impact of policies and procedures to ensure they conform to legislation.
- Maintain and regularly review the College Values and FREDIE Policy and related action plans to implement changes to support equality and diversity improvements.
- Ensure that Public Sector Duties are met and exceeded.
- Seek to ensure that all actual or potential employees, learners, visitors and contractors are treated fairly regardless of age, race, disability, gender reassignment, pregnancy & maternity, religion or belief, sex & sexual orientation.
- Ensure that diversity and cultural matters are embedded and promoted in teaching and learning.
- Ensure that external partners, subcontractors, contractors and other stakeholders have appropriate equality and diversity philosophies and practices in place and that these are implemented.
- Project the reputation of the College as an equal opportunity employer and provider of services.
- Review analysis of data on ethnicity, disability, gender, age, and other relevant information in order to monitor the implementation of the Policy and take action to promote equality and diversity more effectively.
- Ensure all staff attend regular training updates which is recorded centrally by HR

Equality and Diversity is reported via the annual report and development plan cycle of the College. In partnership with the National Centre for Diversity (NCFD) the College surveyed staff, learners and stakeholders in March 2021 and again in March 2022. This survey initiated the College's first review of fairness, respect, equality, diversity, inclusion, and engagement (FREDIE). The survey is part of the formal accreditation and approval process required to meet the Investors in Diversity Award. The results of both the 2021 and 2022 surveys ranked the College in the top 100 companies in the UK and the College was awarded the Investors in Diversity status following the second survey.

The College also recognises that further work is required to embed further the College values, and FREDIE. As such an action plan was developed in partnership with the NCFD and the cross College working group established to drive continuous improvement have continued to deliver actions throughout 2021/22. The working group consists of representatives from across the College and 'FREDIE Champions' who applied and were appointed to the role.

As an inclusive College, Eastleigh College is fully committed to equality and diversity. It strives to provide an environment and learning experience that is fully accessible to all regardless of any protected

**OPERATING AND FINANCIAL REVIEW (continued)****Equality & Diversity (continued)**

characteristic. In order that the College can successfully deliver its vision and mission the College will strive to deliver the following objectives:

- Promote tolerance and understanding between those with protected characteristics and others.
- Make reasonable adjustments to support learners and staff who have protected characteristics.
- Reduce the achievement gap between those with protected characteristics and others.
- Fully investigate and resolve complaints related to protected characteristics.
- Recruit staff, learners and Governors that reflects the local community.

The College recognises the many global and national prominent campaigns, and put particular focus on mental health as staff and learners had to deal with lockdowns and the impact of Covid on families and friends. During 2021/22 the College has also worked with many learners arriving in the region as refugees. The College has worked with staff and these learners to ensure the College is seen as a safe and welcoming place of sanctuary.

**Going concern**

The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. At 31 July 2022 the College had net current liabilities of £1.8m including £0.4m of loans outstanding with Lloyds Bank.

After the end of the financial year the college determined that it had breached one of its financial condition covenants and informed Lloyds Bank of this in January 2023. In March 2023 Lloyds Bank issued a Reservation of Rights letter enabling it to recall its loan at any point. At that point the College had total borrowings from Lloyds Bank of £2.9m. The bank continues to be supportive and has given no indication of any intention to recall the loan. The College continues to make all loan repayments in full and on time and works closely with stakeholders on its future position.

Since December 2022 His Majesty's Government (HMG) has been supporting the college. However, despite this support there is still a risk that the College may be unable to realise its assets and discharge its liabilities in the normal course of business.

While the accounts have been prepared on a going concern basis, the College has identified events or conditions which may or may not occur which create material uncertainties regarding the going concern of the College. Each event has been detailed in the paragraphs above and are summarised as follows:

- Lloyds Bank PLC have issued a Reservation of Rights letter enabling them to recall the loans made to the College, if the bank were to recall the loans the College would no longer be a going concern.
- If the College were to merge into the South Hampshire College Group the assets and liabilities of College would be transferred and the Corporation of Eastleigh College would be wound up. The merger was not approved at the point of signing.
- Due the absence of committed funding beyond July 2023, the College is not financially sustainable and would not have sufficient funds in order to continue trading into 2023/24 without further financial support.

The College has prepared forecasts to July 2024 and has a reasonable expectation that it will have adequate resources to continue in operational existence until that time. Therefore, members of the Corporation have concluded that the College is a going concern and the accounts should be prepared on a going concern basis. Since 2019/20 the College has proactively worked with HMG and the FE Commissioner in order to deliver a long-term solution to the challenges it faces. To this end it has, jointly with City College Southampton and Fareham College and, consulted on a merger in which the Corporation would be dissolved and its operations, assets and liabilities transferred to Fareham College with the corporation of Fareham College being renamed – see post balance sheet events. The proposed merger is subject to a positive funding decision by HMG.

**OPERATING AND FINANCIAL REVIEW (continued)**

**Disclosure of Information to Auditors**

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware, and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information, and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 6 June 2023 and signed on its behalf by:



Natalie Wigman

**Chair of Governors**

**STATEMENT OF CORPORATE GOVERNANCE**

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 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

The College aspires to comply with all the provisions of the Code. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 1 July 2015.

**The Corporation**

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

<b>Members</b>	<b>Date of appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance</b>
Mrs S Annett	Sep 2020	4 year		Independent member	F&GP Remuneration	100%
Ms A Caplin	Sep 21	4 year		Independent	Audit/Search	100%
Mrs A Cross-Durrant	Sep 2012	4 year*	Sep 21	Independent member	Standards	0%
Mr R Goodman	Sep 2020	4 year		Independent member	F&GP Search	83%
Ms S Harder-Collins	Dec 2022	1 year				N/A
Mr P Harris-Bridge	Sep 2020	4 year		Independent member	Audit Search	100%
Mr J Heaton-Smith	Sep 2020	4 year		Independent member	Audit Search	83%
Ms K Matthews	Sep 2020	4 year	Jan 22	Independent member	Standards	67%
Mr J Musselwhite	Jul 2018	4 year	Nov 2021	Independent member	Standards	0%
Mr C O'Donoghue	Sep 2020	4 year		Independent member	Standards Remuneration F&GP	100%
Mr J Sendell	July 2011	4 year**	Mar 23	Independent member	Chair: Board until 31 March 2023	83%
Mrs G Sommers	July 2022	1 year initial		Independent member	Standards	100%
Ms K Stanton	Jan 2021	4 year	Jan 23	Independent member	Standards	67%
Ms F Stilwell	Sep 21	4 year		Independent member	Standards	83%
Mrs M Taylor	Sep 2017	4 year*	Oct '22	Independent member	Audit	67%



**STATEMENT OF CORPORATE GOVERNANCE (continued)****The Corporation (continued)**

Mr B Topham	Jul 2019	4 year		Independent member	Audit Remuneration	67%
Mrs V Whitehead	July 2022	1 year initial		Independent member	Standards	100%
Mrs N Wigman	Dec 2016	4 year*		Independent member	Chair: Standards Chair: Remuneration  Chair from 1 April 2023	83%
Mr S Winkworth	July 2022	1 year initial		Independent member	F&GP	100%
Mr P Cox	Sep 2020	ongoing		Chief Executive	F&GP Standards Search	100%

\* in second four-year term

\*\* in extended second four-year term

**Officers of the Board**

<b>Chief Executive</b>	<b>Clerk to the Board:</b>	<b>Other Holders of Senior Posts</b>
Mr P Cox	Dr C Davis to Dec 2021	Mr P Joddrell
		Mr K Jones (Until March 2023)

**The Board**

The composition of the Board during the year and up to the date of signature of the report is set out above. It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board 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 & Safety and environmental issues. The Board meets at least each term (December, March and July) plus training events in September and January.

The composition of the Corporation is determined by the Board in accordance with the Instrument of Government. The Board conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Board. These committees are Finance & General Purposes, Standards, Remuneration, Search and Audit. Full minutes of all meetings are available on the College website at <http://www.eastleigh.ac.uk/about/welcome/governors-and-governance/meetings,-minutes-and-agendas>.

Eastleigh College  
Chestnut Avenue  
Eastleigh  
Hampshire, SO50 5FS

**STATEMENT OF CORPORATE GOVERNANCE (continued)**

**The Corporation (continued)**

A register is maintained of the financial and personal interests of the Governors. The register is available for inspection at the above address.

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense.

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

The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board 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 of the Board and Chief Executive are separate.

**Appointments to the Board**

The Board approved a new Governor Appointments Policy in July 2022. The College seeks to appoint governors from a wide variety of backgrounds, who combined have the correct experience, expertise, and knowledge to enable the Board of the Corporation to respond to the needs of the students, the College, local businesses, and the community. The Search & Governance Committee regularly reviews the membership of the Governing Body and undertakes skills audits to identify those skills, abilities, or community interests which should be represented. In the event, or anticipation of a vacancy, the Search & Governance Committee will seek individuals, assess their suitability, and recommend names to the Governing Body for appointment.

The Search & Governance Committee is responsible for the provision of induction training for newly appointed Governors. Each new Governor is provided with relevant training to assist with their induction. In addition, the committee is responsible for monitoring the training needs of Governors and for ensuring that training and information is readily available to Governors, as laid out in the Governor Training and Development policy.

Members of the Board are appointed for a term of office not exceeding four years (maximum - two terms). With regards to the position of Chair, to facilitate effective succession planning and the development of a diverse board, this period of tenure as a governor can be extended.

**Corporation Performance**

The Board carried out a self-assessment of its own performance for the year ended 31 July 2022. All Governors and senior leaders completed a self-assessment questionnaire on Board effectiveness. The Annual Search Committee then reviewed themes from the self-assessment reports and recommended actions to the Board in the form of a Board Development Plan. A review of the Chair was also undertaken and all committees reviewed their terms of reference. Governance and strategic oversight were aligned to the strategic priorities through focussed agendas, committees and the link governor scheme. Following the detailed review and actions the Board graded itself "Good" on the Ofsted scale.

**Professional Development for Governors**

A record of Governor training was maintained for 2021/22. In year a new training and development policy and procedure was developed and the Governor training and development plan included subscription to the Education and Training Foundation's (ETF) Governance Development Programme for all governors.

**STATEMENT OF CORPORATE GOVERNANCE (continued)**

**Professional Development for Governors (continued)**

Governors are sent information for all governance events and all governors participated in some form of training which included:

- Safeguarding & Prevent under the College's own system
- ETF Governance Development Programme (online modules)
- AOC governance conference
- Link governor visits
- New Governors have an induction meeting with the Clerk to the Corporation and meet with the Executive Leadership Team. If available, they attend an external induction event.
- Relevant CPD undertaken in a professional or other voluntary role.

**Governance Review**

Under the terms of its funding agreement, the College is required to have an external governance review every three years. The first review is required to be undertaken between August 2021 and July 2024 and every three years after that. No governance review took place in 2021/22.

**Remuneration Committee**

Throughout the year ending 31 July 2022, the College's Remuneration Committee comprised four external Governors and was chaired by a Governor other than the Chair of the Board. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Chief Executive and other senior post-holders. The Board adopted the 'Association of College's Senior Staff Remuneration Code' at the meeting on 24 September 2018.

Details of remuneration of senior post-holders for the year ended 31 July 2022 are set out in Note 7 to the Financial Statements.

**Audit Committee**

The Audit Committee comprises four members of the Board (who exclude the Chief Executive and Chair). The Committee operates in accordance with written terms of reference approved by the Board. Its purpose is to advise the Board on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes. The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and Financial Statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE 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 are responsible for the implementation of agreed recommendations. The Internal auditors also monitor the College's response to recommendations made in the assurance reports and track progress on completion of these actions at each Audit Committee meeting.

The Audit Committee also advises the Board on the appointment of internal, regularity and Financial Statements' auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Board.

**STATEMENT OF CORPORATE GOVERNANCE (continued)****Audit Committee (continued)**

The Audit Committee met three times in the year to 31 July 2022. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended
Mrs Mairead Taylor	2
Mrs Bernie Topham	3
Mrs Alison Caplin	3
Mr James Heaton-Smith	2
Mr Phil Harris-Bridge	1

**Internal Control, Scope of Responsibility**

The Board 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 Board has delegated the day-to-day responsibility to the Chief Executive, 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 the College and the ESFA. He is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

**The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place and operational in the College throughout the financial year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

**Capacity to handle risk**

The Board 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 Board 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 year ended 31 July 2022 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board.

**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 income and expenditure budget which is reviewed and agreed by the Board.

**STATEMENT OF CORPORATE GOVERNANCE (continued)**

**The Risk and Control Framework (continued)**

- Regular reviews by the Board 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, as determined by either SMT or the Board.

The College has a Risk Register which lists the core risks for the College, each is scored for impact and probability of likelihood on a scale of Low, Medium, High and Very High and mapped onto a risk matrix. The risk register is included every month in the Governors' monthly report and each risk is assigned to a Governor committee for additional focus. The individual risk report also includes the mitigations the College has in place for an emerging risk and to respond to and after a risk event. Actions from the regular reviews of the risk register are taken through the Board Committees and actioned by the Senior Management Team of the College.

The College has an internal audit service which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the Audit Committee.

At a minimum annually, Internal Audit provides the Board with a report on internal audit activity in the College. The report includes Internal Audit'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**

At the end of July 2022, the College Risk Register identified fifteen broad risks faced by the College and each individual risk is assigned to a Governance function through either Board or Committee. The detailed individual risk reports which track for each risk the triggers, consequences, controls, assurance in those controls and mitigations to be taken for a growing risk or to respond to a risk event. Updates on risk are reported in the monthly governance reports and the principal risks are covered in more detail within the Operating Review.

**Responsibilities under funding agreements**

The College has met its contractual responsibilities under its funding agreements with the ESFA. All claims have been based on learner information which is thoroughly checked before all monthly submissions and tested through audit. The College was subjected to several audits in year including as ESFA Funding Assurance Audit with positive outcomes.

**STATEMENT OF CORPORATE GOVERNANCE (continued)****Statement from the Audit Committee**

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

The specific areas of work undertaken by the audit committee in 2021/22 and up to the date of the approval of the financial statements include tracking of all recommended actions arising out of internal audit reviews; actions are not cleared from Audit Committee list until agreed within meetings.

Based on audit evidence obtained during 2021/22, for the business areas reviewed, the internal audit service (IAS) conclusions are summarised below:

• Year	Review title	Assurance level	Comments
2021/22	Governance conflicts of interest and whistleblowing	Substantial Assurance	Two routine level recommendations
2021/22	Risk Management – mitigating controls	Substantial Assurance	One routine level recommendation
2021/22	ICT/Cyber security	Reasonable Assurance	Three high level and eleven routine level recommendations
2021/22	Subcontracting	Reasonable Assurance	One high level and two routine level recommendation
2021/22	Key financial report	Reasonable Assurance	One high level and two routine recommendations
2021/22	Single Central Record	Reasonable Assurance	Three high level and one routine recommendations
2021/22	Work placements	Substantial Assurance	One routine level recommendation

**Review of Effectiveness**

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

- The work of the internal auditors.
- The work of the College's Risk Management Board.
- The work of the 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 and Regularity Accountants in their management letters and other reports.

The review of risk management and internal control is ongoing and is carried out via the following processes:

- Risk Management Board to provide termly review of the College's Risk Register to include an assessment of the latest risk level for both impact and probability and to review all aspects of all individual risk reports to ensure the risk triggers, consequences, controls, assurance in those controls and planned mitigations for emerging risks and to respond to a risk event are current and understood.
- Regular internal audit reviews carried out within the framework of a 3-year audit plan, which focuses on the College's key risk areas.
- Review of all internal audit assignment reports by Risk Management Board and Audit Committee and to ensure recommended actions are responded to effectively by management.

**STATEMENT OF CORPORATE GOVERNANCE (continued)**

**Review of Effectiveness (continued)**

- Monitoring of the minutes of all Risk Management Board meetings by Audit Committee.

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention. The Senior Management Team and the Audit Committee also receive regular reports from the internal auditors 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 College Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At the Audit Committee meeting on 23 November 2022 the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Senior Management Team and Internal Audit and taking account of events since 31 July 2022.

Based on the advice of the Audit Committee and the Chief Executive, 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 6 June 2023 and signed on its behalf by:



**Paul Cox**  
**Accounting Officer**



**Natalie Wigman**  
**Chair of Governors**

**STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND**

**COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING**

As Accounting Officer, I confirm that the Corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

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

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



**Paul Cox**  
**Principal, CEO and Accounting Officer**  
**Date: 6 June 2023**

**Statement of the Chair of Governors**

On behalf of the Corporation, I confirm that the Accounting Officer has discussed their Statement of Regularity, Propriety and Compliance with the Board and that I am content that it is materially accurate.



**Natalie Wigman**  
**Chair of Governors**  
**Date: 6 June 2023**



**STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION**

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

Within the terms and conditions of the College's grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2021 to 2022 issued by the ESFA and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the Group and the parent College and their respective surplus / deficit of income over expenditure for that year.

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 (Group and Parent College) is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare Financial Statements on the going concern basis, unless it is inappropriate to assume that the Group and Parent College will continue in operation.

The Corporation is also required to prepare a members' 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 College, and enable it to ensure that the Financial Statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and the Charities Act 2011, and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the Corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 6 June 2023 and signed on its behalf by:



**Natalie Wigman**  
**Chair of Governors**

**Independent Auditor's Report to the Corporation of Eastleigh College Opinion**

We have audited the financial statements of the Corporation of Eastleigh College (the 'College') and its subsidiary (the 'Group') for the year ended 31 July 2022 which comprise the Consolidated and College statements of comprehensive income and expenditure, the Consolidated and College statements of changes in reserves, the Group and College balance sheets, the Consolidated statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2022 the Group's and College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

**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 Group and College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

We draw attention to Note 1 of the financial statements and disclosures in the Operating and Financial review section of the Members' Report, which describes the uncertainty over financial sustainability of the College. The Governors have confirmed that the College will continue to trade having received support from His Majesty's Government (HMG) since December 2022 for the Financial Year Ending 31 July 2023. However, following an issuance of a Reservation of Rights letter, the College is dependent upon the ongoing support from Lloyds Bank in order to remain solvent as well as being dependent upon further support from HMG if the proposed merger into the South Hampshire College Group is not approved. As stated in Note 1 of these financial statements, these events or conditions, along with the other matters as set forth in the Members' Report, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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 other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the annual report. 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on

the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

- adequate accounting records have not been kept; or
- the 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.

**Responsibilities of the Governing Body of Eastleigh College**

As explained more fully in the Statement of Corporation Responsibilities on page 30, the Members of the Corporation are 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 Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Enquiry of management and those charged with around actual and potential litigation and claims;
- Enquiry of Corporation staff in tax, compliance and regulatory functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

### **Use of our report**

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



**MHA**

Chartered Accountants and Registered Auditor  
2 London Wall Place  
London  
EC2Y 5AU  
United Kingdom

Date 06/06/2023

## EASTLEIGH COLLEGE

### CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME & EXPENDITURE

		2021/22		2020/21	
	Note	Group £'000s	College £'000s	Group £'000s	College £'000s
<b>INCOME</b>					
Funding body grants	2	13,118	13,118	18,163	18,163
Tuition fees and education contracts	3	2,261	2,261	1,650	1,650
Other grants and contracts	4	1,147	1,147	41	41
Other income	5	282	276	83	76
Investment income	6	-	6	-	7
<b>Total Income</b>		<b>16,808</b>	<b>16,808</b>	<b>19,937</b>	<b>19,937</b>
<b>EXPENDITURE</b>					
Staff costs	7	10,854	10,854	11,239	11,239
Restructuring costs	7	120	120	178	178
Other operating expenses	8	5,230	5,230	8,753	8,753
Depreciation	11	1,993	1,993	1,255	1,255
Interest and other finance costs	9	333	333	303	303
<b>Total expenditure</b>		<b>18,530</b>	<b>18,530</b>	<b>21,728</b>	<b>21,728</b>
<b>(Deficit)/ Surplus before other gains and losses</b>		<b>(1,722)</b>	<b>(1,722)</b>	<b>(1,791)</b>	<b>(1,791)</b>
Profit/(loss) on disposal of assets		-	-	-	-
<b>(Deficit)/ Surplus before tax</b>		<b>(1,722)</b>	<b>(1,722)</b>	<b>(1,791)</b>	<b>(1,791)</b>
Taxation	10	-	-	-	-
<b>(Deficit)/ Surplus for the year</b>		<b>(1,722)</b>	<b>(1,722)</b>	<b>(1,791)</b>	<b>(1,791)</b>
Unrealised surplus on revaluation of assets		-	-	-	-
Remeasurement of defined benefit pension liabilities	17 & 20	12,038	12,038	3,048	3,048
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>10,316</b>	<b>10,316</b>	<b>1,257</b>	<b>1,257</b>

The income and expenditure is in respect of continuing activities. There were no operations that were acquired or discontinued by Eastleigh College during the year.

**EASTLEIGH COLLEGE**
**CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES**

	<b>I&amp;E Account</b>	<b>Revaluation Reserve</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b>Group</b>			
<b>Balance at 1 August 2020</b>	<b>(9,246)</b>	<b>4,391</b>	<b>(4,855)</b>
Surplus/(deficit) from the income and expenditure account	(1,791)	-	(1,791)
Other comprehensive income	3,048	-	3,048
Transfers between revaluation and income and expenditure reserves	96	(96)	-
Total comprehensive income for 20/21	1,353	(96)	1,257
Balance at 1 August 2021	(7,893)	4,295	(3,598)
Surplus/(deficit) from the income and expenditure account	(1,722)	-	(1,722)
Other comprehensive income	12,038	-	12,038
Transfers between revaluation and income and expenditure reserves	248	(248)	-
<b>Total comprehensive income for the year</b>	<b>10,564</b>	<b>(248)</b>	<b>10,316</b>
<b>Balance at 31 July 2022</b>	<b>2,671</b>	<b>4,047</b>	<b>6,718</b>
<b>College</b>			
<b>Balance at 1 August 2020</b>	<b>(9,246)</b>	<b>4,391</b>	<b>(4,855)</b>
Surplus/(deficit) from the income and expenditure account	(1,791)	-	(1,791)
Other comprehensive income	3,048	-	3,048
Transfers between revaluation and income and expenditure reserves	96	(96)	-
Total comprehensive income for 20/21	1,353	(96)	1,257
Balance at 1 August 2021	(7,893)	4,295	(3,598)
Surplus/(deficit) from the income and expenditure account	(1,722)	-	(1,722)
Other comprehensive income	12,038	-	12,038
Transfers between revaluation and income and expenditure reserves	248	(248)	-
<b>Total comprehensive income for the year</b>	<b>10,564</b>	<b>(248)</b>	<b>10,316</b>
<b>Balance at 31 July 2022</b>	<b>2,671</b>	<b>4,047</b>	<b>6,718</b>

# EASTLEIGH COLLEGE

## EASTLEIGH COLLEGE

### CONSOLIDATED AND COLLEGE BALANCE SHEET AS AT 31 JULY

		2022	2021
		Group £'000s	College £'000s
		Group £'000s	College £'000s
<b>Fixed Assets</b>	<b>Note</b>		
Tangible Assets	11	27,778	27,778
Investments	12	-	-
<b>Total Fixed Assets</b>		<b>27,778</b>	<b>27,778</b>
<b>Current assets</b>			
Trade and other receivables	13	744	744
Cash	19	1,912	1,912
<b>Total current assets</b>		<b>2,656</b>	<b>2,656</b>
Less: creditors amounts falling due within one year	14	4,423	4,423
<b>Net current liabilities</b>		<b>(1,767)</b>	<b>(1,767)</b>
<b>Total assets less current liabilities</b>		<b>26,011</b>	<b>26,011</b>
Creditors: amounts falling due after more than one year	15	(14,814)	(14,814)
<b>Provisions</b>			
Defined benefit obligations		(4,093)	(4,093)
Enhanced Pensions		(386)	(386)
Other provisions		-	-
<b>Total net assets</b>		<b>6,718</b>	<b>6,718</b>
<b>Unrestricted reserves</b>			
Income and expenditure account		2,671	2,671
Revaluation reserve		4,047	4,047
<b>Total unrestricted reserves</b>		<b>6,718</b>	<b>6,718</b>

The financial statements on pages 28 to 64 were approved and authorised for issue by the Board on 3 May 2023 signed on its behalf by:

Paul Cox  
Accounting Officer



Date: 6 June 2023

Natalie Wigman  
Chair of Governors



Date: 6 June 2023

**EASTLEIGH COLLEGE****CONSOLIDATED STATEMENT OF CASH FLOWS**

	2021/22 £'000s	2020/21 £'000s
<b>Cash inflow from operating activities</b>		
Surplus/(deficit) for the year	(1,722)	(1,791)
<b>Adjustment for non-cash items</b>		
Depreciation and impairment	1,993	1,255
(Increase)/decrease in debtors	50	610
Increase/(decrease) in creditors due within one year	(1,531)	2,943
Increase/(decrease) in creditors due after one year	(237)	534
Increase/(decrease) in provisions	(1,194)	(1,868)
Pension costs less contributions payable	1,064	1,136
Other	-	(7)
<b>Adjustment for investing or financing activities</b>		
Interest payable	80	73
<b>Net cash flow from operating activities</b>	<b>(1,497)</b>	<b>2,885</b>
<b>Cash flows from investing activities</b>		
Payments made to acquire fixed assets	(974)	(1,343)
	<b>(974)</b>	<b>(1,343)</b>
<b>Cash flow from financing activities</b>		
Interest paid	(80)	(73)
Repayments of amounts borrowed	(465)	(319)
	<b>(545)</b>	<b>(392)</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>	<b>(3,016)</b>	<b>1,150</b>
Cash and cash equivalents at the beginning of the year	4,928	3,778
Cash and cash equivalents at end of the year	1,912	4,928
Change in cash equivalents over the course of the year	(3,016)	1,150



**NOTES TO THE FINANCIAL STATEMENTS****1 Statement of accounting policies and estimation techniques**

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

**Basis of preparation**

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction 2021 to 2022 and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and republic of Ireland*” (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of the FRS102. The preparation of Financial Statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College’s accounting policies.

**Basis of accounting**

The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards. The Consolidated 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 thousand.

**Basis of consolidation**

The consolidated Financial Statements include the College and its subsidiary, Eastleigh College Limited. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income & Expenditure from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. All Financial Statements are made up to 31 July 2022.

**Going concern**

The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. At 31 July 2022 the College had net current liabilities of £1.8m including £0.4m of loans outstanding with Lloyds Bank.

After the end of the financial year the college determined that it had breached one of its financial condition covenants and informed Lloyds Bank of this in January 2023. In March 2023 Lloyds Bank issued a Reservation of Rights letter enabling it to recall its loan at any point. At that point the College had total borrowings from Lloyds Bank of £2.9m. The bank continues to be supportive and has given no indication of any intention to recall the loan. The College continues to make all loan repayments in full and on time and works closely with stakeholders on its future position.

Since December 2022 His Majesty’s Government (HMG) has been supporting the college. However, despite this support there is still a risk that the College may be unable to realise its assets and discharge its liabilities in the normal course of business.

While the accounts have been prepared on a going concern basis, the College has identified events or conditions which may or may not occur which create material uncertainties regarding the going concern of the College. Each event has been detailed in the paragraphs above and are summarised as follows:

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1 Statement of accounting policies and estimation techniques (continued)**

- Lloyds Bank PLC have issued a Reservation of Rights letter enabling them to recall the loans made to the College, if the bank were to recall the loans the College would no longer be a going concern.
- If the College were to merge into the South Hampshire College Group the assets and liabilities of College would be transferred and the Corporation of Eastleigh College would be wound up. The merger was not approved at the point of signing.
- Due the absence of committed funding beyond July 2023, the College is not financially sustainable and would not have sufficient funds in order to continue trading into 2023/24 without further financial support.

The Governors have concluded that a material uncertainty exists that may cast significant doubt on the College's ability to continue as a going concern. Based on their complete assessment of the College's position the Governors have concluded that the financial statements should be prepared on the going concern basis.

**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 FRS102. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under-achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Consolidated Statement of Comprehensive Income & Expenditure. 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. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery. 16-18 learner responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

**Capital grant funding**

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS102. Other non-Governmental capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. 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 conditions are met.

**Fee income**

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received and includes all fees payable by learners or their sponsors.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1 Statement of accounting policies and estimation techniques (continued)****Investment income**

All income from short-term deposits is credited to the Consolidated Statement of Comprehensive Income & Expenditure in the period in which it is earned on a receivable basis.

**Other income**

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

**Workplace learning and apprenticeships**

The College subcontracts provision for workplace learning and apprenticeships. This income, included within recurrent grants - ESFA, represents that earned by the College in its capacity, both as a provider, and as the 'prime' provider. All other income claimed from the ESFA and payable to subcontractors is included in the Statement of Comprehensive Income.

**Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the ESFA and subsequent disbursements to learners are excluded from the Consolidated Statement of Comprehensive Income & Expenditure and are shown separately in Note 25, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

**Accounting for post-employment benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, 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 charged to the Consolidated Statement of Comprehensive Income & Expenditure so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 20, 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 scheme and contributions are recognised as an expense in the income statement in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

**Local Government Pension Scheme (LGPS)**

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1 Statement of accounting policies and estimation techniques (continued)**

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.

Remeasurement comprising actuarial gains and losses and the return on scheme assets are recognised in the Statement of Comprehensive Income & Expenditure.

**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 unitised entitlement.

Restructuring costs are recognised when the College has a present, legal and constructive obligation to make the payment.

**Enhanced pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's Consolidated Statement of Comprehensive Income & Expenditure in the year that the member of staff retires. In subsequent years a charge is made to provisions in the Balance Sheet using the enhanced pension spreadsheet provided by the ESFA.

**Tangible fixed assets**

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

**(a) 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 50 years. The College has a policy of depreciating major adaptations to buildings over the remaining useful economic life of the building.

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 Consolidated Statement of Comprehensive Income & Expenditure 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 be recoverable.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1 Statement of accounting policies and estimation techniques (continued)**

On adoption of FRS102, the College followed the transitional provision to retain the book value of land which was revalued in 2014, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

**(b) Assets under construction**

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

**(c) Subsequent expenditure on existing fixed assets**

Where significant expenditure is incurred on tangible fixed assets it is charged to the Statement of Comprehensive Income in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved.
- Asset capacity increases.
- Substantial improvement in the quality of output or reduction in operating costs.
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

**(d) Equipment**

Equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the year of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated over its useful economic life as follows:

Motor vehicles	3 years
Computer equipment	3 years
Teaching equipment and furniture	5 years
Fixed plant and equipment	up to 20 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.

**Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

**Leased assets**

The College no longer has any assets acquired under finance leases. Rentals payable under operating leases are charged to the Statement of Comprehensive Income as incurred.

**Investments**

Current asset investments are included in the Balance Sheet at the lower of their original cost and net realisable value.

**Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less impairment in the individual Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1 Statement of accounting policies and estimation techniques (continued)****Cash and cash equivalents**

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

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

**Financial liabilities and equity**

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

All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historic cost). FRS102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group 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 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of 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.

The subsidiary company is subject to Corporation tax and VAT in the same way as any commercial organisation.

**Provisions and contingent liabilities**

Provisions are recognised when:

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1 Statement of accounting policies and estimation techniques (continued)**

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 there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

*Other key sources of estimation uncertainty*

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2020 has been used by the actuary in valuing the pensions liability at 31 July 2022, with the latest valuation taking account of the impact of the McCloud and Sergeant legal decisions in June 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**EASTLEIGH COLLEGE****Notes to the financial statements (continued)****Note 2****Funding Body Grants**

	2021/22		2020/21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
<b>Recurrent Grants</b>				
ESFA Adult Funding	4,512	4,512	9,799	9,799
ESFA 16-18 Funding	7,224	7,224	7,521	7,521
<b>Specific Grants</b>				
Covid testing	30	30	69	69
Teachers pension scheme contribution grant	320	320	376	376
Release of capital grants	1,032	1,032	398	398
<b>Total</b>	<b>13,118</b>	<b>13,118</b>	<b>18,163</b>	<b>18,163</b>

The figure for 2021/22 ESFA Adult Funding includes £228k as a result of a successful appeal by the college against the value of the "clawback" HMG intended to take as a result of the college not achieving its target level of activity in 20/21.

Both ESFA Adult Funding and ESFA 16-18 Funding include funds paid by HMG but taken from employer's apprenticeship levies.

The release of capital grants includes the release of £606k of grants associated with College House and released as a result of the impairment review - see note 11.

**Note 3****Tuition Fees and Education Contracts**

	2021/22		2020/21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
Adult education fees	761	761	634	634
Apprenticeship contracts	32	32	128	128
Fees for FE loan supported courses	176	176	247	247
<b>Total tuition fees</b>	<b>969</b>	<b>969</b>	<b>1,009</b>	<b>1,009</b>
Education contracts	1,292	1,292	641	641
<b>Grand total</b>	<b>2,261</b>	<b>2,261</b>	<b>1,650</b>	<b>1,650</b>



**EASTLEIGH COLLEGE****Notes to the financial statements (continued)****Note 4****Other Grants and Contracts**

	2021/22		2020/21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
Other grant income	1,147	1,147	41	41
<b>Total</b>	<b>1,147</b>	<b>1,147</b>	<b>41</b>	<b>41</b>

Note 17 shows the release of "other provisions". The sum released in 21/22 is released to "other grant income" in this note and is the main source of this income line in 21/22.

**Note 5****Other income**

	2021/22		2020/21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
Catering and residences	70	70	2	2
Other income generating activities	-	-	14	14
Miscellaneous income	212	206	67	60
<b>Total</b>	<b>282</b>	<b>276</b>	<b>83</b>	<b>76</b>

**Note 6****Investment income**

	2021/22		2020/21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
Surplus recorded by Eastleigh College Ltd	-	6	-	7
<b>Total</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>7</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****Note 7 Staff costs – Group and College**

Average headcount of persons (including senior post holders) employed by the College during the year:

	<b>2022 No.</b>	<b>2021 No.</b>
		<b>Restated</b>
Total	327	347

**Staff costs for the above persons:**

	<b>2022 £'000</b>	<b>2021 £'000</b>
Wages and salaries	7,645	7,886
Social Security costs	593	654
Other pension costs (including FRS102 adjustments of £817,000 (2020/21: £906,000))	2,230	2,533
<b>Payroll subtotal</b>	<b>10,468</b>	<b>11,073</b>
Contracted out staffing services	386	166
	<b>10,854</b>	<b>11,239</b>
Restructuring costs	120	178
<b>Total staff costs</b>	<b>10,974</b>	<b>11,417</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****Note 7 Staff costs – Group and College (continued)****Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team. The Senior Management Team currently consists of Chief Executive (Accounting Officer), Deputy Principal, Vice Principal Finance, Funding and Management Information and Vice Principal Quality, Compliance and Improvement. Staff costs include compensation paid to key management personnel for loss of office. The decrease in year as tabled below relates to increased numbers during 2020/21 with changes to roles in that year.

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

	<b>2022 No.</b>	<b>2021 No.</b>
Number of key management personnel including Accounting Officer was:	4	7

The number of Staff, including key management personnel and other staff (as listed above), who received emoluments (excluding pension contributions and benefits in kind) in the following ranges was:

	<b>Key management personnel</b>		<b>Other staff</b>	
	<b>2022 No</b>	<b>2021 No</b>	<b>2022 No</b>	<b>2021 No</b>
£5,001 - £10,000	-	-	1	-
£10,001 - £15,000	-	1	-	-
£25,001 - £30,000	-	1	-	-
£45,001 - £50,000	-	1	-	-
£65,001 - £70,000	1	1	-	-
£70,001 - £75,000	-	1	-	-
£85,001 - £90,000	2	1	-	-
£125,001 - £130,000	1	1	-	-
	<b>4</b>	<b>7</b>	<b>1</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****Note 7 Staff costs – Group and College (continued)**

Key management personnel compensation is made up as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	378	441
Employers National Insurance contributions	48	55
	<hr/>	<hr/>
	426	496
Pension contributions	89	101
	<hr/>	<hr/>
Total key management personnel compensation	<hr/> <b>515</b> <hr/>	<hr/> <b>597</b> <hr/>

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

The above emoluments include amounts payable to the Accounting Officer (who is the highest paid officer) of:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	130	129
	<hr/>	<hr/>
	130	129
	<hr/>	<hr/>
Pension contributions	31	31
	<hr/>	<hr/>

The governing body has adopted the Association of College's Senior Staff Remuneration Code and will assess pay in line with its principles in future.

The remuneration package of key management staff including the Chief Executive is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Chief Executive reports to the Chair of the Corporation, who undertakes an annual review of personal performance against the Colleges' overall objectives using both qualitative and quantitative measures of performance.

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Chief Executive's basic salary as a multiple of the median of all staff	3.7	4.6
Chief Executive's total remuneration as a multiple of the median of all staff	3.8	4.7

The movement above reflects reduced levels of support staff with the median member of staff now being a member of the teaching staff.

There were no payments of compensation for loss of office paid to former key management personnel in the accounting periods to report.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7 Staff costs – Group and College (continued)**

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employer's contributions to the TPS and LGPS and are paid at the same rate as for other employees.

The Members of the Board other than the Accounting Officer did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties, except for one member who received remuneration from the College of £4k (2020/21 £6k) due entirely to their involvement following request from the Further Education Commissioner/ and the Education Skills Funding Agency (ESFA) for the College to develop an ambitious and sustainable systems-based proposal for post-16 provision in Southampton. This remuneration was authorised by order of the Charity Commission. No costs were incurred by Governors, key management personnel or other higher paid staff during the year in respect of overseas activities.

**EASTLEIGH COLLEGE****Notes to the financial statements (continued)****Note 8****Other operating expenses**

	2021/22		2020/21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
Teaching costs	2,442	2,442	6,116	6,116
Non-teaching costs	1,516	1,516	1,479	1,479
Premises costs	1,272	1,272	1,158	1,158
<b>Total</b>	<b>5,230</b>	<b>5,230</b>	<b>8,753</b>	<b>8,753</b>

	2021/22 £'000s	2020/21 £'000s
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Other operating expenses include

Auditors remuneration		
- Financial Statements Audit	30	30
- Other services provided by Financial Statements auditors	-	3
- Internal Audit	16	19
Hire of plant and machinery - operating leases	-	37
Hire of other assets - operating leases	24	34

**Note 9****Interest and Other Finance Costs**

	2021/22		2020/21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
Bank interest on loans due in more than five years	80	80	73	73
Pension finance costs (Notes 17 and 20)	253	253	230	230
<b>Total</b>	<b>333</b>	<b>333</b>	<b>303</b>	<b>303</b>

**Note 10                      Taxation - Group and College**

The College is not liable for any Corporation Tax arising out of its activities during the year.

**Notes to the financial statements (continued)**
**Note 11**
**Tangible fixed assets (Group and College)**

	Land and buildings	Equipment	Assets in the course of construction	TOTAL
	£'000s	£'000s	£'000s	£'000s
<b>Cost or valuation</b>				
At 1 August 2021	36,526	7,322	-	43,848
Additions	299	595	80	974
<b>At 31 July 2022</b>	<b>36,825</b>	<b>7,917</b>	<b>80</b>	<b>44,822</b>
<b>Depreciation</b>				
At 1 August 2021	8,582	6,469	-	15,051
Normal charge for year	824	413	-	1,237
Impairment	713	43	-	756
<b>Net book value at 31 July 2022</b>	<b>26,706</b>	<b>992</b>	<b>80</b>	<b>27,778</b>
Net book value at 31 July 2021	27,944	853	-	28,797

If fixed assets had not been revalued before being deemed as cost on transfer from Hampshire County Council on 1 April 1993, they would have been included at historical cost and depreciation of £nil.

The college currently occupies College House, Compton, Winchester under the terms of a lease from Hampshire County Council. The rent for this lease is a peppercorn. The college ceased using this property in the summer of 2022 and has no intention of resuming its use. The college has notified Hampshire County Council of its wish to return the property. As the college has no use of the property or the plant within it the buildings and embedded plant have been subject to an impairment review and valued at £nil.

**Note 12**
**Non-current Investments**

	College 31-Jul-22 £'s	College 31-Jul-21 £'s
Investment in subsidiary company at cost	100	100
<b>Total</b>	<b>100</b>	<b>100</b>

The college owns 100% of the issued ordinary shares of Eastleigh College Limited, a company incorporated in England and Wales. The principal business activity of Eastleigh College Limited is to conduct motor vehicle MOTs.

**Note 13**
**Trade and other receivables**

	31-Jul-22		31-Jul-21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
Trade Receivables	273	273	136	136
Amounts owed by subsidiary company	-	-	-	8
Prepayments and accrued income	471	471	470	470
Amounts owed by the ESFA	-	-	188	188
<b>Total</b>	<b>744</b>	<b>744</b>	<b>794</b>	<b>802</b>

**EASTLEIGH COLLEGE****Notes to the financial statements (continued)****Note 14****Creditors: amounts falling due within one year**

	31-Jul-22		31-Jul-21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
Bank loans	392	392	3,547	3,547
Payments received in advance	83	83	591	591
Trade Payables	356	356	188	188
Amounts owed to subsidiary company	-	-	-	8
Other taxation and social security	204	204	163	163
Accruals	1,678	1,678	2,638	2,638
Deferred income - capital grants	360	360	452	452
Amounts owed to the ESFA	1,350	1,350	1,530	1,530
<b>Total</b>	<b>4,423</b>	<b>4,423</b>	<b>9,109</b>	<b>9,117</b>

**Note 15****Creditors: amounts falling due after one year**

	31-Jul-22		31-Jul-21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
Bank loans	2,690	2,690	-	-
Deferred income - capital grants	12,124	12,124	12,361	12,361
<b>Total</b>	<b>14,814</b>	<b>14,814</b>	<b>12,361</b>	<b>12,361</b>

**Note 16****Maturity of Debt**

Bank loans and overdrafts are repayable as follows:

	31-Jul-22		31-Jul-21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
In one year or less	392	392	3,547	3,547
Between one and two years	2,690	2,690	-	-
<b>Total</b>	<b>3,082</b>	<b>3,082</b>	<b>3,547</b>	<b>3,547</b>

The college's loan agreement with the bank expires on 30 September 2023. The loan is split between one year or less and between one and two years on the basis of that loan agreement. At 31 July 21 the loan agreement expired on 31 March 2022 and consequently the full value of the loan was shown as repayable within one year or less.

The loan is secured on the college's main, Chestnut Avenue, campus and its car park in Desborough Road. Both properties are in Eastleigh.

Further details about the college's relationship with the bank and the current status of these loans is given in the going concern remarks within note 1 to the financial statements and the corporation's report on going concern and post-balance sheet events.



## EASTLEIGH COLLEGE

### Notes to the financial statements (continued)

#### Note 17:

	Provisions			
	Group and College			TOTAL
	Defined benefit obligations	Enhanced Pensions	Other	
	£'000s	£'000s	£'000s	£'000s
<b>At 1 August 2021</b>	<b>14,994</b>	<b>472</b>	<b>1,181</b>	<b>16,647</b>
Expenditure in the period	(840)	(19)	-	(859)
Provision released to income in the period (see note 4)	-	-	(985)	(985)
Provision released to offset creditors due within one year	-	-	(196)	(196)
Interest cost	247	6	-	253
Staff cost	1,657	-	-	1,657
Actuarial gain over the year recognised in statement of comprehensive income	(11,965)	(73)	-	(12,038)
<b>As at 31 July 2022</b>	<b>4,093</b>	<b>386</b>	<b>-</b>	<b>4,479</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pensions Scheme. Further details are given in Note 20.

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

The principal assumptions for this calculation are:

	2022	2021
	%	%
Price inflation	2.6	2.6
Discount rate	3.4	1.7

Further provisions totalling £1.181m were made during the year to 31 July 2021 relating to specific liabilities where the amounts at the time were uncertain and the future payment dates unknown. These specific liabilities have been resolved with £196k of liability transferring to creditors as amounts due to ESFA.

#### Note 18

	Revaluation Reserve			
	2021/22		2020/21	
	Group £'000s	College £'000s	Group £'000s	College £'000s
At 1 August	4,295	4,295	4,391	4,391
Regular depreciation	(96)	(96)	(96)	(96)
Depreciation as a result of the impairment review - see note 11	(152)	(152)	-	-
<b>At 31 July</b>	<b>4,047</b>	<b>4,047</b>	<b>4,295</b>	<b>4,295</b>

**EASTLEIGH COLLEGE****Notes to the financial statements (continued)**

Note 19

**Analysis of Movements in net debt**

	At 01-Aug-21 £'000s	Cash flows £'000s	Other £'000s	At 31-Jul-22 £'000s
Cash and cash equivalent	4,928	(3,016)	-	1,912
Overdrafts	-	-	-	-
<b>Debt due within one year</b>	<b>4,928</b>	<b>(3,016)</b>	<b>-</b>	<b>1,912</b>
Debt due after one year	-	(2,690)	-	(2,690)
<b>Grand Total</b>	<b>4,928</b>	<b>(5,706)</b>	<b>-</b>	<b>(778)</b>

**20 Defined benefit obligations**

The College's employees belong to two principal post-employer benefit plans, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff which is managed by Hampshire County Council. Both are multi-employer defined benefit plans.

**Total pension cost for the year**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Teachers' Pensions Scheme: contributions paid	871	903
Local Government Pension Scheme:		
Contributions paid	835	830
Early retirement contributions paid included in redundancy costs	-	80
FRS102 (28) charge	807	906
Charge in Statement of Comprehensive income	<u>1,642</u>	<u>1,816</u>
Total pension cost for the year within staff costs	<u><u>2,513</u></u>	<u><u>2,719</u></u>

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 was 31 March 2019.

Contributions amounting to £177k (2021: £166k) were payable to the scheme at 31 July 2022 and are included within creditors.

**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. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****20 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 above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

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

**Valuation of the Teachers' Pension Scheme**

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

the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has continued to pay a teacher pension employer contribution grant to cover the additional costs during the 2021/22 academic year.

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

The pension costs paid to TPS in the year amounted to £1,248k (2021: £1,241k).

**Local Government Pension Scheme**

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by Hampshire County Council. The total contribution made for the year ended 31 July 2022 was £945k of which employer's contributions totalled £840k and employees' contributions totalled £105k. The agreed contribution rates for future years are 22.6% for employer and between 5.5% and 12.5% for employees.

**Principal actuarial assumptions**

The following information is based upon a full actuarial of the fund at 31 March 2020 updated to 31 July 2022 by a qualified independent actuary.

	<b>At 31 July 2022</b>	<b>At 31 July 2021</b>
Rate of increase in salaries	3.6%	3.6%
Future pensions increase	2.6%	2.6%
Discount rate for scheme liabilities	3.4%	1.7%
Inflation assumption (CPI)	2.6%	2.6%
Commutation of pensions to lump sums:		
- Pre-April 2010 entitlement	25.0%	25.0%
- Post 31 March 2010	75.0%	75.0%

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 20 Defined benefit obligations (continued)

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

	At 31 July 2022	At 31 July 2021
Retiring today		
Males	22.9	23.1
Females	25.4	25.5
Retiring in 20 years		
Males	24.7	24.8
Females	27.1	27.3

## Sensitivity analysis

	At 31 July 2022 £'000	At 31 July 2021 £'000
Discount rate +0.1%	27,221	38,574
Discount rate -0.1%	28,531	40,430
Mortality assumption – 1 year increase	28,670	38,061
Mortality assumption – 1 year decrease	27,054	40,943

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

	Fair value at 31 July 2022 £'000	Fair value at 31 July 2021 £'000
Equities	13,704	14,224
Government Bonds	3,527	4,201
Property	1,931	1,523
Cash	191	246
Multi Asset Credit	2,121	-
Other	2,360	4,373
<b>Total fair value of plan assets</b>	<b>23,834</b>	<b>24,567</b>
Actual return on plan assets	(993)	3,680

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

	2022 £'000	2021 £'000
Fair value of plan assets	23,834	24,567
Present value of plan liabilities	(27,862)	(39,482)
Present value of unfunded liabilities	(65)	(79)
<b>Net pensions liability (Note 17)</b>	<b>(4,093)</b>	<b>(14,994)</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 20 Defined benefit obligations (continued)

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

	2022 £'000	2021 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,598	1,740
Past service cost	59	-
<b>Total</b>	<b>1,657</b>	<b>1,740</b>
<b>Amounts included in interest and other finance costs</b>		
Pension finance costs	247	230
<b>Total</b>	<b>247</b>	<b>230</b>
<b>Amount recognised in Other Comprehensive Income</b>		
Gains/(losses) on pension plan assets	(1,413)	3,389
Experience gains/(losses) arising on defined benefit obligations	13,378	(341)
<b>Amount recognised in Other Comprehensive Income</b>	<b>11,965</b>	<b>3,048</b>

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

	2022 £'000	2021 £'000
Net defined benefit (liability)/assets in scheme at 1 August	(14,994)	(16,906)
Movement in year:		
Current service cost	(1,598)	(1,740)
Employer contributions	840	834
Past service cost	(59)	-
Net interest on the defined (liability)/asset	(247)	(230)
Actuarial gain or loss	11,965	3,048
<b>Net defined benefit liability at 31 July</b>	<b>(4,093)</b>	<b>(14,994)</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 20 Defined benefit obligations (continued)

## Assets and liability reconciliation

	2022 £'000	2021 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at the start of the period</b>	39,482	37,516
Current service cost	1,598	1,740
Interest cost	666	521
Contributions by Scheme participants	175	200
Experience gains and losses on defined benefit obligations	(13,368)	341
Estimated benefits paid	(750)	(757)
Past service cost	59	-
<b>Defined benefit obligations at end of period</b>	<b>27,862</b>	<b>39,561</b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	24,567	20,610
Interest on plan assets	420	291
Return on plan assets	(1,413)	3,389
Employer contributions	835	834
Contributions by Scheme participants	175	200
Estimated benefits paid	(750)	(757)
<b>Fair value of plan asset at end of period</b>	<b>23,834</b>	<b>24,567</b>

## 21 Capital and other commitments

The College had capital commitments of £185k as at 31 July 2022 (31 July 2021 – nil).

## 22 Lease obligations

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

	<b>Group and College</b>	
	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Other</b>		
Not later than one year	24	71
Later than one year and not later than five years	7	31
	<b>31</b>	<b>102</b>

## 23 Related party transactions

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****23 Related party transactions (continued)**

The total expenses paid to or on behalf of the Governors during the year was £3,600 to two governors (2021: £6,385, two governors). 2021 included £6,300 of payments to a Governor for a specific project as agreed with Charities Commission. The balance represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Key management personnel disclosure is given in Note 7.

Transactions with the ESFA are detailed in Note 2.

**24 Amounts disbursed as agent****Learner Support Funds**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
16 – 18 bursary grants	107	166
Other funding body grants	-	-
	<b>107</b>	<b>166</b>
Disbursed to learners	(56)	(173)
Administration costs	(5)	(6)
	<b>(46)</b>	<b>(13)</b>

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

**Independent Reporting Accountant's Report on Regularity to the corporation of Eastleigh College and Secretary of State for Education, acting through Education and Skills Funding Agency (ESFA)**

In accordance with the terms of our engagement letter dated 18 May 2021 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Eastleigh College during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

**Respective responsibilities of Eastleigh College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity and propriety.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and



- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

**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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities that govern them nor have been improper.

A handwritten signature in black ink, consisting of the letters 'MHA' in a stylized, cursive script.

**MHA**  
**London, United Kingdom**  
**Date:** 06/06/2023