

EASTLEIGH
COLLEGE

EASTLEIGH COLLEGE

FINANCIAL STATEMENTS

FOR THE YEAR TO

31 JULY 2019

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KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key Management Personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in 2018/19:

Dr Janet Edrich, Chief Executive & Principal; Accounting Officer
Paul Cox, Vice Principal Curriculum & Quality
Matthew Phelps, Vice Principal Commercial
Tom Barlow, Finance Director (to 5 July 2019)

Board of Governors

A full list of Governors is given on page 15 of these Financial Statements.

Dr Christopher Davis acted as Clerk to the Board throughout the period.

Professional Advisors

Financial Statements auditors and reporting accountants:

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

Internal auditors:

Southern Internal Audit Partnership
Corporate Services
Hampshire County Council
The Castle
Winchester
Hants
SO23 8UB

Bankers:

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

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Solicitors:

Womble Bond Dickinson
Oceana House
39-49 Commercial Road
Southampton
Hants
SO15 1GA

OPERATING AND FINANCIAL REVIEW

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited Financial Statements for the year ended 31 July 2019.

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’s vision, mission and values statement as approved by the Board is:

Mission

The mission of Eastleigh College is to:

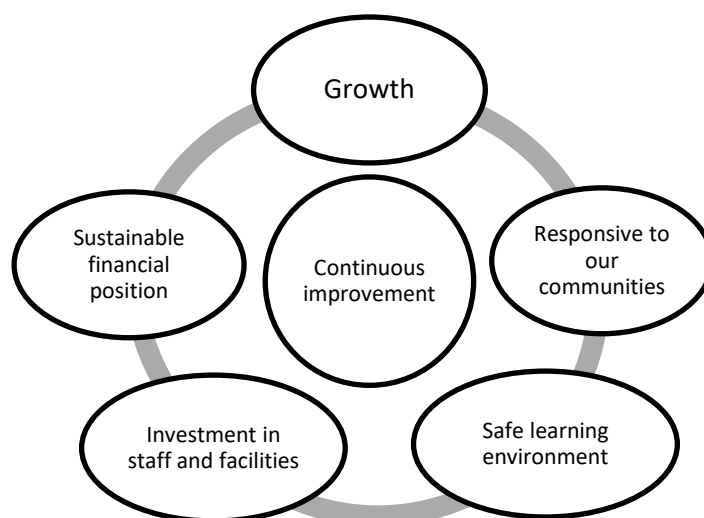
Create life changing opportunities that lead to strong careers
and enable businesses to prosper

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, to lead by example
- Ambitious - aim high, be your best, exceed targets, be inquisitive
- Resilient - committed, determined, keep going however hard it gets

Supported by a digital platform, the six principles of Eastleigh College are:



Vision

As we are a College with a local, regional and national footprint, our vision is based on each of these with our values at the core. They are all underpinned by being:

- Trusted, respected and renowned
- Proactive, responsive and agile
- Aspirational, innovative and aligned

The alignment is different in each layer.

OPERATING AND FINANCIAL REVIEW (continued)

The Eastleigh Vision

Realising the potential of individuals and our community through high quality professional and technical education and training by proactively working with schools, councils and local employers.

The Solent Vision

Developing talent through high quality professional and technical education and training by proactively working with Solent and M3 Local Enterprise Partnerships (LEPs), the University of Portsmouth, Southern Universities Network (SUN), councils and regional employers.

The National Vision

Developing talent through high quality professional and technical education and training whilst providing a single education, training and skills solution for employers who operate in the College's areas of specialism. Our national work will be wholly aligned to regional LEPs and councils as relevant.

Public Benefit

Eastleigh College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15.

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. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for learners
- Strong student support systems
- Meeting the training needs of employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

Implementation of Strategic Plan

A Strategic Plan covering the period 2019-2024 was approved by the College's Board on 3 July 2019. These objectives drive the development of the College curriculum and the conduct of all areas of operation.

Our strategic objectives for 2019 to 2024 are:

- To have continuous improvement and sustained excellence.
- Deliver the digital strategy and its ambitions.
- Achieve and celebrate the superb destinations of all learners.
- Be sector leading in learner satisfaction.
- For employer satisfaction to be continuously improved through direct employer partnership and reciprocal benefit.
- Increase proportion of direct delivery using the College's reputation, staff contacts, and sub-contractor network.
- Maintain excellent customer service and expert staff.
- Be financially sustainable and invest to ensure industry standard facilities and equipment.
- Focus on culture and workplace values.

OPERATING AND FINANCIAL REVIEW (continued)

The College's Strategic Plan is underpinned by a robust set of financial objectives against which the College's financial plans and annual outturns can be measured. In the interests of being consistent with the way that the Government assess college's financial performance, the College has set targets similar to those used within the ESFA's Financial Health Assessment model. The following targets are therefore proposed:

- Earnings before interest, taxation, depreciation and amortisation (EBITDA) \geq 6%
- Adjusted current ratio \geq 1.2
- Borrowing as a % of income \leq 20%

These targets will ensure the College has strong financial foundations, which alongside agreed cash KPI will meet the 'Good' criteria for the ESFA's current financial health assessment model, whilst proactively ensuring readiness for more cash and liquidity focused measures expected during this strategy.

It should be noted that EBITDA excludes: profits and losses on asset disposals; capital grant releases; FRS102 pension provisions and gains and losses arising from property and revaluations. The adjusted current ratio excludes: deferred capital grants; holiday pay accruals and any assets held for resale.

The College's financial results for 2018/19 have been assessed against the ESFA's Financial Health tests and our results place the College in the "Inadequate" category.

FINANCIAL POSITION

Financial Results

The College's financial performance for the year is summarised below. The column in bold shows the College's underlying financial position excluding the effect of FRS102 Retirement Benefit adjustments. FRS102 Retirement Benefit adjustments have been extracted in the table below in order to clearly show the College's underlying operating position.

	2019 Compre- hensive Income	2019 FRS102 Retirement Benefit Adjustment	2019 Excluding FRS102	2018 Excluding FRS102
	£000	£000	£000	£000
Income	27,759	-	27,759	32,244
Expenditure	29,775	501	29,274	31,463
Surplus/(deficit)	(2,016)	501	(1,515)	781
Profit/(loss) on asset disposals	-	-	-	-
Surplus before FRS102 pension costs	(2,016)	501	(1,515)	781

Income has decreased by £4,485k compared with 2017/18. The College's main source of income is the grant it receives from the Education & Skills Funding Agency (ESFA) and Office for Students (OFS). In 2018/19 it totalled £24,601k (2017/18: £28,701k) representing 89% of total income (2017/18: 89%). Tuition fee income and income from education contracts decreased by £402k (14.4% on 2017/18) to £2,389k.

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

The College's expenditure decreased by £2,189k compared with 2017/18. However sub-contract partner payments (which fluctuate in line with income) decreased by £2,971k meaning that all other expenditure (including staff costs) increased by £782k compared with 2017/18.

The College's main expenditure (other than sub-contractor partner payments) is staff costs. Compared with 2017/18 the College saw a net increase in staff costs of £430k, (which includes increased agency costs over the period negotiating the unsuccessful merger). Action has already been taken to further reduce staff costs going forward, resulting in restructuring costs of £344k in 2018/19 (2017/18: £204k). Staff received a pay award in 2018/19 of 1%.

Other operating costs decreased by £2,808k (15.9%) which was due to the decrease in sub-contractor partner payments as mentioned previously. All other operating cost budgets saw a 4.5% increase although this includes £286k of costs in relation to an unsuccessful merger.

Overall the College generated an operating deficit before FRS102 pension costs of £1,515k (2017/18: £781k surplus). At the year end the College's total unrestricted reserves are £4,025k (2017/18: £7,610k).

Tangible fixed asset additions during the year amounted to £601k. This was split between Land & Buildings and Assets under Construction (£95k) and Fixtures, Fittings & Equipment (£506k).

The College has a wholly owned subsidiary company, Eastleigh College Limited. The principal business activity of Eastleigh College Limited is to conduct motor vehicle MOTs. Any surplus generated by the company is transferred to the College by deed of covenant. In 2018/19 the surplus generated was £12k (2017/18: £13k).

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 in place a detailed 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 Financial Memorandum agreed with the ESFA.

Cash Flows

The Cash Flow Statement shows a cash outflow in 2018/19 of £1,415k (2017/18: £719k outflow).

Liquidity

The size of the College's total borrowing is £4,299k and this is currently all within creditors payable within one year due to a breach of the loan covenants. The loans are in the process of renegotiation. The approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. A comfortable cushion continues to exist.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £(462). (2018: £3,027). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

OPERATING AND FINANCIAL REVIEW (continued)

Going concern

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Learner Numbers and Funding Body Targets

The College is funded by the ESFA according to the number of learners it recruits and the courses these learners attend.

In 2018/19, the College's targets agreed with the funding bodies were as follows; the ESFA 16-18 target was 1,215 learners, at a funding level of £5,933k (including £647k Disadvantage funding). In addition, the College was allocated £2,569k (April 2018-March 2019, April 2019-March 2020) of funding for 16-18 (non-Levy) Apprentices.

The College's final ESFA Adult Skills Budget allocation was £9,569k.

Learner Achievement

Education & Training (E&T): Learners achieved 92.4% of their completed qualification aims (Ofsted Rules) in 2018/19 (88.2% in 2017/18).

Apprenticeship: Overall achievement was 67% (71.1% in 2017/18). Timely achievement was 59.3% (63.2% in 2017/18).

Curriculum Developments

The College continues to offer a broad spectrum of professional and technical programmes for young people and adults with a focus on preparation for work, technical updating and future careers. 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 or on employers' premises. The College also operates a residential facility, College House, teaching independent living skills to learners with moderate learning difficulties.

As part of the Study Programme for all 16-18 year olds, English and maths is delivered to those without a Grade 4 at GCSE. Apprenticeship provision for all age groups has remained steady for local provision but has reduced substantially in the sub-contract network since the introduction of the new funding methodology for apprenticeships introduced in May 2017. Many businesses, particularly in the care sector, report that they are unable to release staff for the now compulsory 20% off the job training element required in working hours and have chosen alternative ways of training staff. Joint work with local businesses and employers remains strong and employers inform the curriculum development and contribute specialist equipment and other resources. Through the Eastleigh Consortium there is strong collaborative working between local schools and the College. The College has a strategic partnership arrangement with the University of Portsmouth to support and develop progression routes for learners.

During the 2018/19 academic year both the College and College House were inspected by Ofsted. The College was judged to be good and College House retained outstanding status for the fifth consecutive inspection. The College's Matrix accreditation was also successfully retained during 2018/19. In 2017 the College was reviewed by the QAA; the QAA outcome was one of confidence in higher education delivery and standards.

OPERATING AND FINANCIAL REVIEW (continued)**Curriculum Developments (continued)**

The College works with a large number of employers (over 2,000 employers had learners or apprentices studying with the College in 2018/19). The Commercial division manages workplace learning contracts and apprenticeships. It is also proactive in engaging with employers, carrying out Training Needs Analysis (TNAs) and Organisational Needs Analysis (ONAs) supporting employers to form a training plan and identify other training solutions. The introduction of the Apprenticeship Levy in May 2017 led to the College working closely on apprenticeship training programmes with a number of larger employers. The Customer Relationship Management (CRM) system is an effective tool, providing robust information about our customers, enabling us to tailor our communications and marketing. Employer feedback is also recorded using the CRM system.

The College leads a partnership of over 20 training providers delivering apprenticeships and workplace learning nationally across a broad range of sectors. The College has in place robust quality control procedures including: rigorous contract monitoring and compliance procedures, due diligence procedures that are regularly revisited with all partners and a compliance audit team who monitor the quality of partner delivery. Partners who do not meet the College's quality and compliance audit requirements have their contracts terminated.

In 2018/19, the College's Learner Satisfaction Survey, published by Further Education Public Information Framework, FE Choices, resulted in 88% of respondents stating that they would recommend Eastleigh College to friends and family. The 2017/18 Employer Satisfaction score was 88.2%.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2018 to 31 July 2019 the College paid 95% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Post Balance Sheet Events

No significant post balance sheet events have occurred.

Future Developments

16-18 full time learner enrolments for 2019/20 are in line with the funding target and early indications are that part time adult enrolments on full cost and funded vocational courses are also strong.

Year to date recruitment in 2019/20 is running in line with budget for non-Levy and Levy apprenticeships and AEB funded qualifications.

Pressure to reduce operating costs is ongoing and the College will continue to closely monitor curriculum staff workloads and course builds and to drive up class sizes in order to ensure the efficient use of teaching staff. Support staff costs will continue to be rigorously controlled. Staff costs are being readjusted down to realign with reduced income and significantly less sub-contracting apprenticeship activity.

RESOURCES

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

OPERATING AND FINANCIAL REVIEW (continued)

RESOURCES (continued)

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 Learning Centre, 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 College's buildings are generally in good condition.

In addition, the College has a long leasehold on 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. The Hive, the College's purpose built work environment unit, is also located at this site.

Financial

The College has £4,025k of net assets (2017/18: £7,610k) and loan debt of £4,299k which is all showing as payable within one year. (2017/18: £4,679k). £4,198k of this loan debt is with Lloyds and has been in renegotiation since May 2019. £1,663k was due for repayment on 1 August 2019 under the old loan terms and, although not actually recalled by Lloyds on that date, was to be shown as payable within one year. Since year end the College became aware of a breach of both the Lloyds and the Barclays loans and therefore they are all showing as payable within one year.

People

The College employs 308 (2017/18: 313) people (expressed as full time equivalents), of whom 180 (2017/18: 181) are teaching staff.

Reputation

The College has an excellent reputation both locally and nationally and was graded Good by Ofsted at a full inspection which took place in December 2018. The reputation for delivering quality provision and for being a responsive provider is essential for the College's ongoing success in attracting learners and employers, for maintaining good relationships with external stakeholders and for performing our role as key driver of the local economy and cornerstone of the local community.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has in place a robust framework of internal control, including financial, operational and risk management controls which are designed to protect the College's assets and reputation.

The Risk Management Board regularly undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures and specific preventative actions which should mitigate any potential impact of risks on the College. The strength and effectiveness of the system of internal control is reviewed annually and in addition to the annual review, the Risk Management Board will consider any risks which may arise as a result of a new area of work being undertaken by the College, or arising from significant change in the College's operating environment, as such risks are identified.

A risk register is maintained which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are quantified using a consistent scoring system and a Risk Reduction Plan is in place for those risks with higher scores.

OPERATING AND FINANCIAL REVIEW (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The College's risk management procedures are supported by a risk management training programme to raise awareness of risk throughout the College.

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

1. Government Funding

The College has considerable reliance on continued Government funding through the Further Education (FE) sector funding bodies. In 2018/19 89% (2017/18: 89%) of the College's revenue was ultimately publicly funded. There can be no assurance that Government policy or practice will remain the same, or that public funding will continue at the same levels, or on the same terms.

The College is aware of several issues which may impact on future funding:

- The Government is resolute in its plans to address the unsustainable escalation in public sector debt. This will continue to have a significant impact on Further Education and it is likely funding pressures will continue.
- The rhetoric of the general election in December 2019 has increased speculation of new funding for the further education sector however as nothing is certain, the College continues to plan within its current allocations.
- There is both an uplift per learner in the 16-18 base funding rate for 2020/21 and an uplift in weighting for some provision factored into the College's planning.
- A significant part of the College's business is the delivery of apprenticeships and 2017/18 saw the introduction of the new Apprenticeship Levy funding regime in terms of employer engagement which represented both an opportunity and a risk. Engagement with larger Levy paying employers initially was strong but many appear to be using funding for higher level leadership and management qualifications the College is unable to deliver, and non-Levy payers in certain sectors have not engaged with the new regime. Previous apprenticeship delivery with the public sector is now subject to extensive tendering mechanisms and delays although the College is winning some of its traditional work back.
- Devolution of the Adult Education Budget (AEB) to local commissioning authorities is affecting the College from 2019/20 including a reduced national AEB allocation (£2.6m) for delivery outside the devolved areas. The College retains an existing contract for work in the Greater London Authority until 2021/22. The future of the College delivering provision in London after this is unclear.

These risks are mitigated in a number of ways:

- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding, particularly Apprenticeships, Traineeships, English and maths, the introduction of T Levels, STEM subjects and new technologies.
- Ensuring the College is rigorous in delivering high quality education and training so that it is the provider of choice for both employers and learners.
- Continuing to work closely with local schools to ensure the career benefits of technical and professional education and training are better appreciated.
- Considerable focus and investment is placed on maintaining and managing key relationships with the funding bodies and with employers.
- Extensive dialogue with the ESFA regarding the consultation on sub-contracting.
- Senior leaders working as part of national policy advisory panels.
- Increases in tuition fee and full cost delivery.
- Reductions in non-pay costs.
- Pay restraint.
- Reduction in staff costs.

OPERATING AND FINANCIAL REVIEW (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 in two ways: by ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for learners, and by close monitoring of the demand for courses and competitors' pricing strategies.

3. Maintain Adequate Funding of Pension Liabilities

The Financial Statements report the College's share of the Hampshire County Council (HCC) pension scheme 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 increased significantly this year but the College remains in a net assets position.

4. Risks Related to the College's Property Strategy

The College's £12.4m Major Redevelopment Project was completed on time and on budget in the summer of 2017. The College has no immediate plans for further significant investment in the estate and the current property strategy is relatively modest, reflecting the fact that the estate is in good condition. Opportunity exists to expand teaching in the commercial areas of Gas Engineering and Refrigeration & Air Conditioning. Support is being sought for funding from the Local Enterprise Partnership to undertake this work and to include the refurbishment of the roof of D Block.

Remaining risks are considered to be:

- Failure of the flat roof covering on the older part of D Block
- Open site with potential for intruders

An Access Control System is planned to be installed during the academic year 2019/20.

5. Failure to Maintain the Financial Viability of the College

Following 2018/19, the College's current financial health grade has been assessed as 'Inadequate' but forecast to return to 'Good' in 2019/20. The College had previously been achieving surpluses and had a strong balance sheet but the drop in apprenticeship volumes and the lack of AEB growth funding alongside rising costs has resulted in significant deficit. The College was involved in merger discussions during 2018/19 with the plan to merge in March 2019. However the application for restructuring funding was rejected and the College immediately began an internal restructuring programme to reduce staff costs. The College continues its programme of resizing.

The risk of failure to maintain financial viability is mitigated in a number of ways:

- Rigorous budget setting procedures and sensitivity analysis
- Robust planning to ensure the effective management of change
- Regular in-year budget monitoring and management of operating costs
- Robust financial controls
- Exploring ongoing procurement efficiencies

OPERATING AND FINANCIAL REVIEW (continued)**STAKEHOLDER RELATIONSHIPS**

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

- Learners
- 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: 5
FTE employee number: 0.27fte

Percentage of Time	Number of employees
0%	0
1 – 50%	5.0
51% - 99%	0
100%	0

Provide the total cost of facility time £9,427.59
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: 420 hours

Total hours spent on trade union activities by relevant union officials during the relevant period 5.44%

Disability Statement and Equality & Diversity

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs & Disability Acts 2001 and 2005 and the Equality Act 2010.

The College welcomes variety, and seeks to ensure individual talents are utilised and valued. The College wishes to create a culture where mutual trust and respect are the foundation for working relationships between staff and learners.

OPERATING AND FINANCIAL REVIEW (continued)

Disability Statement and Equality & Diversity (continued)

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 Equality & Diversity Strategy and the Equality Objectives with 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, 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.

Equality and Diversity is reported via the SAR (Self Assessment Review) and QIP (Quality Improvement) cycle of the College.

The SAR identifies areas to be developed and this is monitored via the QIP, the Equality & Diversity Working Group systematically review monitor and plan activities and actions to move the QIP forward and the Equality & Diversity Board monitor the progress in line with the SAR.

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 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.

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 29 January 2020 and signed on its behalf by:

J Sendell

Jonathan Sendell
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 2018 to 31 July 2019 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”)

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. 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.

STATEMENT OF CORPORATE GOVERNANCE (continued)
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.

Members	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Dr E Atefi	Dec 2016	2 year	30/3/19	Independent member	Audit	60%
Ms G Baker	Mar 2019	1 year		Independent member	Standards	100%
Mr J Course	Dec 2010	8 year*		Independent member	Chair: Standards Search	80%
Mrs A Cross-Durrant	Sept 2012	7 year*		Independent member	Standards	sabbatical (health)
Mr S Johnson	Dec 2012	7 year*		Independent member	Standards Remuneration Search	100%
Mrs V Hall	Dec 2012	7 year*		Independent member	Audit	80%
Mr J Sendell	July 2011	8 year*		Independent member	Chair: Board Chair: F&GP Chair: Search	100%
Mr P Sahota	July 2010	8 year*	30/3/19	Independent member	F&GP	80%
Mrs M Taylor	Sep 2017	2 year		Independent member	F&GP	80%
Miss S Nellthorpe	May 2014	5 year*		Independent member	Chair: Audit Chair: Remuneration	100%
Mrs J Grajewski	Dec 2016	3 year		Independent member	F&GP	80%
Miss J Richmond	Dec 2014	3 year	6/12/18	Staff member	Standards	100%
Mr J Musselwhite	Jul 2018	1 year		Independent member	Audit	100%
Mrs N Wigman	Dec 2016	3 year		Independent member	Chair Standards	80%
Dr J Edrich	Aug 2014	5 year*		Chief Executive & Principal	F&GP Standards Search	100%
Associate Governors						
Ms M Davies MP				Associate Governor		0%
Mrs C Nokes MP				Associate Governor		0%

*in second four-year term

STATEMENT OF CORPORATE GOVERNANCE (continued)**Officers of the Board**

Chief Executive & Principal:	Clerk to the Board:	Senior Management Team:
Dr J Edrich	Dr C Davis	Mr Paul Cox
		Mr M Phelps
		Mr T Barlow (to 5 July 2019)

The Board

The composition of the Board during the year and up to the date of signature of the report is set out on page 15. 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 each term.

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> or the Clerk to the Board at:

Eastleigh College
Chestnut Avenue
Eastleigh
Hampshire, SO50 5FS

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

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

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 & Principal are separate.

Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a Search Committee comprising the Chair, three Board members and the Chief Executive & Principal which is responsible for the selection and nomination of any new members for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided as required.

Members of the Board are appointed for a term of office not exceeding four years (maximum - two terms).

STATEMENT OF CORPORATE GOVERNANCE (continued)

Corporation Performance

The Board carried out a self assessment of its own performance for the year ended 31 July 2019 and graded itself Grade 2 on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2019, 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 & Principal and other senior post-holders.

The Board adopted the 'AoC'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 2019 are set out in Note 6 to the Financial Statements.

Audit Committee

The Audit Committee comprises four members of the Board (who exclude the Chief Executive & Principal 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 and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

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.

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 & Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the ESFA. She is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

STATEMENT OF CORPORATE GOVERNANCE (continued)

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 2019 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 2019 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 budget which is reviewed and agreed by the Board.
- 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 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.

Review of Effectiveness

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

- The work of the internal auditors.
- The work of the 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.

STATEMENT OF CORPORATE GOVERNANCE (continued)

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

- Regular review of the College's Risk Register and progress on the Risk Reduction Plan by the Risk Management Board.
- 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.
- Monitoring of the minutes of all Risk Management Board meetings by Audit Committee.

The Accounting Officer (Chief Executive & Principal) has been advised on the implications of the result of her 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 by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. 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 Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At the Audit Committee meeting on 27 November 2019 the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Management Team and Internal Audit and taking account of events since 31 July 2019.

Based on the advice of the Audit Committee and the Chief Executive & Principal, 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 29 January 2020 and signed on its behalf by:

J Edrich

Janet Edrich
Accounting Officer

J Sendell

Jonathan Sendell
Chair of Governors

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Corporation has considered its responsibility to notify the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the agreements and contracts with the ESFA.

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

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

Approved by order of the members of the Corporation on 29 January 2020 and signed on its behalf by:

J Edrich

J Sendell

Janet Edrich
Accounting Officer

Jonathan Sendell
Chair of Governors

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

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

In preparing the Financial Statements, the Corporation is required to:

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

The Corporation is 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 & Higher Education Act 1992 and the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 29 January 2020 and signed on its behalf by:

J Sendell

Jonathan Sendell
Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EASTLEIGH COLLEGE

Opinion

We have audited the Financial Statements of Eastleigh College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2019 which comprise the consolidated and college statement of comprehensive income, the consolidated and college balance sheet, the consolidated and college statement of changes in reserves, the consolidated statement of cash flows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2019 and of the Group's and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the 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.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the governors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Group or the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Other Information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EASTLEIGH COLLEGE
(continued)

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2018 to 2019 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of Eastleigh College

As explained more fully in the Statement of the Responsibilities of the Corporation set out on page 21, the Corporation is responsible for the preparation of Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Corporation is responsible for assessing the 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 Corporation either intend 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.

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

Use of our Report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated August 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Hants
SO53 3TY

Date 30 January 2020

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME & EXPENDITURE

	Note	2019		2018	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	24,978	24,978	29,070	29,070
Tuition fees and education contracts	3	2,389	2,389	2,791	2,791
Other income	4	372	360	371	357
Investment income	5	20	32	12	25
Total Income		27,759	27,759	32,244	32,243
EXPENDITURE					
Staff costs	6	12,964	12,964	12,534	12,534
Restructuring costs	6	344	344	204	204
Other operating expenses	7	14,840	14,840	17,648	17,647
Depreciation	10	1,277	1,277	1,262	1,262
Interest and other finance costs	8	350	350	377	377
Total Expenditure		29,775	29,775	32,025	32,024
(Deficit)/Surplus before other gains and losses		(2,016)	(2,016)	219	219
Profit/(loss) on disposal of assets		-	-	-	-
(Deficit)/Surplus before tax		(2,016)	(2,016)	219	219
Taxation		-	-	-	-
(Deficit)/Surplus for the year		(2,016)	(2,016)	219	219
Unrealised surplus on revaluation of assets		-	-	-	-
Remeasurement of defined benefit pension liability	16 & 19	(1,569)	(1,569)	1,631	1,631
Total Comprehensive Income for the year		(3,585)	(3,385)	1,850	1,850

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.

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

	I & E Account	Revaluation reserve	Total
	£'000s	£'000s	£'000s
Group			
Balance at 1 August 2017	1,079	4,681	5,760
Surplus/(deficit) from the income and expenditure account	219	-	219
Other comprehensive income	1,631	-	1,631
Transfers between revaluation and income and expenditure reserves	98	(98)	-
	<u>1,948</u>	<u>(98)</u>	<u>1,850</u>
Balance at 31 July 2018	3,027	4,583	7,610
Surplus/(deficit) from the income and expenditure account	(2,016)	-	(2,016)
Other comprehensive income	(1,569)	-	(1,569)
Transfers between revaluation and income and expenditure reserves	96	(96)	-
Total comprehensive income for the year	<u>(3,489)</u>	<u>(96)</u>	<u>(3,585)</u>
Balance at 31 July 2019	<u>(462)</u>	<u>4,487</u>	<u>4,025</u>
College			
Balance at 1 August 2017	1,079	4,681	5,760
Surplus/(deficit) from the income and expenditure account	219	-	219
Other comprehensive income	1,631	-	1,631
Transfers between revaluation and income and expenditure reserves	98	(98)	-
	<u>1,948</u>	<u>(98)</u>	<u>1,850</u>
Balance at 31 July 2018	3,027	4,583	7,610
Surplus/(deficit) from the income and expenditure account	(2,016)	-	(2,016)
Other comprehensive income	(1,569)	-	(1,569)
Transfers between revaluation and income and expenditure reserves	96	(96)	-
Total comprehensive income for the year	<u>(3,489)</u>	<u>(96)</u>	<u>(3,585)</u>
Balance at 31 July 2019	<u>(462)</u>	<u>4,487</u>	<u>4,025</u>

CONSOLIDATED AND COLLEGE BALANCE SHEET AS AT 31 JULY 2019

		2019		2018	
	Note	Group £'000	College £'000	Group £'000	College £'000
Fixed assets					
Tangible assets	10	29,442	29,442	30,118	30,118
Investments	11	-	-	-	-
Total fixed assets		29,442	29,442	30,118	30,118
Current assets					
Trade and other receivables	12	1,925	1,939	2,286	2,300
Cash at bank and in hand		2,488	2,488	3,903	3,903
Total current assets		4,413	4,427	6,189	6,203
Less: Creditors amounts falling due within one year	13	(9,200)	(9,214)	(5,423)	(5,437)
Net current assets		(4,787)	(4,787)	766	766
Total assets less current liabilities		24,655	24,655	30,884	30,884
Creditors amounts falling due after more than one year	14	(12,204)	(12,204)	(16,882)	(16,882)
Provisions					
Defined benefit obligations	16	(7,990)	(7,990)	(5,930)	(5,930)
Other provisions	16	(436)	(436)	(462)	(462)
Total net assets		4,025	4,025	7,610	7,610
Unrestricted reserves					
Income and expenditure account		(462)	(462)	3,027	3,027
Revaluation reserve	17	4,487	4,487	4,583	4,583
Total unrestricted reserves		4,025	4,025	7,610	7,610

The Financial Statements on pages 24 to 49 were approved and authorised for issue by the Board on 29 January 2020 and signed on its behalf by:

J Edrich

J Sendell

Janet Edrich
Accounting Officer

Jonathan Sendell
Chair of Governors

CONSOLIDATED STATEMENT OF CASH FLOWS

	2019	2018
	£'000	£'000
Cash inflow from operating activities		
Surplus/(deficit) for the year	(2,016)	219
Adjustment for non-cash items		
Depreciation	1,277	1,262
(Increase)/decrease in stocks	-	-
(Increase)/decrease in debtors	361	(1,168)
Increase/(decrease) in creditors due within one year	(145)	285
Increase/(decrease) in creditors due after one year	(373)	(182)
Increase/(decrease) in provisions	(26)	(25)
Pensions costs less contributions payable	340	380
Surplus transferred to the College under a deed of covenant	(13)	(13)
Taxation	-	-
Adjustment for investing or financing activities		
Investment income	(20)	(12)
Interest payable	350	377
Taxation paid	-	-
(Profit)/loss on sale of fixed assets	-	-
Net cash flow from operating activities	(265)	1,123
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	-
Disposal of non-current asset investments	-	-
Investment income	20	12
Withdrawal of deposits	-	-
New deposits	-	-
Payments made to acquire fixed assets	(601)	(1,288)
	<u>(581)</u>	<u>(1,276)</u>
Cash flow from financing activities		
Interest paid	(189)	(195)
Interest element of finance lease rental payments	-	-
New unsecured loans	-	-
Repayments of amounts borrowed	(380)	(371)
Capital element of finance lease rental payments	-	-
	<u>(569)</u>	<u>(566)</u>
Decrease in cash and cash equivalents in the year	(1,415)	(719)
Cash and cash equivalents at beginning of the year	3,903	4,622
Cash and cash equivalents at end of the year	2,488	3,903

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 2015 (the 2015 FE HE SORP), the College Accounts Direction 2018 to 2019 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 2019.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The College currently has £4,299k of loans outstanding with bankers on terms negotiated in 2008 regarding a 20 year repayment loan (and amended in 2014) secured on College assets.

£4,198k of this loan debt is with Lloyds and has been in renegotiation since May 2019. £1,663k was due for repayment on 1 August 2019 under the old loan terms and, although not actually recalled by Lloyds on that date, was to be shown as payable within one year. Since year end the College became aware of a breach of both the Lloyds and the Barclays loans and therefore they are all showing as payable within one year.

Following negotiations Lloyds have provided the College with an extended facility until the 31 March 2021 for all their loans. The College’s forecasts and financial projections indicate that it will be able to operate within these revised facilities and covenants for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Statement of accounting policies and estimation techniques (continued)

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.

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

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

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual 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 recognised in the period for which it is received and includes all fees payable by learners or their sponsors.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 Statement of accounting policies and estimation techniques (continued)****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 Earnings-Related Pension Scheme (SERPS).

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 19, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Statement of accounting policies and estimation techniques (continued)

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.

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 Statement of accounting policies and estimation techniques (continued)****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 obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the Notes to the Financial Statements.

Agency arrangements

The College acts as an agent in 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 24, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Statement of accounting policies and estimation techniques (continued)

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 19, 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 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.

During the year two court cases (referred to as McCloud and GMP) reached judgement that LGPS discriminated against certain members, and therefore that the pensions receivable by affected individuals will be larger than previously calculated. The additional provision required for these additional liabilities were deemed immaterial to the financial statements.

Workplace learning and apprenticeships

The College is the lead partner in a consortium to deliver 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 consortium lead. All other income claimed from the ESFA and payable to consortium partners is included in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Funding body grants

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education & Skills Funding Agency – adult	16,018	16,018	20,363	20,363
Education & Skills Funding Agency – 16-18	8,455	8,455	8,225	8,225
Office for Students	128	128	113	113
Specific grants				
Releases of government capital grants	377	377	369	369
Total	24,978	24,978	29,070	29,070

3 Tuition fees and education contracts

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	1,111	1,111	1,185	1,185
Apprenticeship fees and contracts	349	349	459	459
Fees for FE loan supported courses	179	179	332	332
Fees for HE loan supported courses	241	241	258	258
Total tuition fees	1,880	1,880	2,234	2,234
Education contracts	509	509	557	557
Total	2,389	2,389	2,791	2,791

4 Other income

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	14	14	16	16
Other income generating activities	110	110	89	89
Other grant income	28	28	49	49
Miscellaneous income	220	208	217	203
Total	372	360	371	357

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Investment income

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Interest receivable	20	20	12	12
Surplus generated by the subsidiary undertaking and transferred to the College under a deed of covenant	-	12	-	13
Total	20	32	12	25

6 Staff costs – Group and College

Average number of persons (including senior post holders) employed by the College during the year, expressed as full time equivalents:

	2019 No.	2018 No.
Teaching staff	180	181
Non-teaching staff	128	132
Total	308	313

Staff costs for the above persons:

	2019 £'000	2018 £'000
Wages and salaries	9,374	9,154
Social Security costs	794	801
Other pension costs (including FRS102 adjustments of £340,000 (2018: £380,000))	1,906	1,889
Payroll subtotal	12,074	11,844
Contracted out staffing services	890	690
	12,964	12,534
Restructuring costs	344	204
Total staff costs	13,308	12,738

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** which comprises the Chief Executive & Principal (Accounting Officer), Vice Principal Curriculum & Quality, Vice Principal Commercial and Finance Director. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019 No.	2018 No.
Number of key management personnel including Accounting Officer was:	4	6

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Staff costs – Group and College (continued)

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

	Key management personnel		Other staff	
	2019 No	2018 No	2019 No	2018 No
£60,001 - £70,000	-	-	2	-
£70,001 - £80,000	-	-	-	-
£80,001 - £90,000	3	5	-	-
£90,001 - £100,000	-	-	-	-
£100,001 - £110,000	-	-	-	-
£110,001 - £120,000	-	-	-	-
£120,001 - £130,000	-	-	-	-
£130,000 - £140,000	-	1	-	-
£140,000 - £150,000	1	-	-	-
	<u>4</u>	<u>6</u>	<u>2</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries	403	390
Employers National Insurance contributions	51	49
Benefits in kind	-	-
	<u>454</u>	<u>439</u>
Pension contributions	65	70
	<u>519</u>	<u>509</u>

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

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

	2019 £'000	2018 £'000
Salaries	143	140
Benefits in kind	-	-
	<u>143</u>	<u>140</u>
Pension contributions	<u>24</u>	<u>23</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**6 Staff costs – Group and College (continued)**

The Chief Executive & Principal reports to the Chair of the Corporation, who undertakes an annual review of her performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Chief Executive & Principal's pay and remuneration expressed as a multiple:

Chief Executive & Principal's basic salary as a multiple of the median of all staff 5.3

Chief Executive & Principal's total remuneration as a multiple of the median of all staff 5.5

Compensation for loss of office paid to former key management personnel

	2019	2018
	£'000	£'000
Compensation paid to the former post-holder	25	-
Estimated value of other benefits, including provisions for pension benefits	-	-

The severance payment was approved by the College's Remuneration Committee.

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 £12k (2018: nil) due entirely to their involvement in the unsuccessful merger. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Other operating expenses

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Teaching costs	12,077	12,077	15,070	15,069
Non-teaching costs	1,731	1,731	1,400	1,400
Premises costs	1,032	1,032	1,178	1,178
Total	14,840	14,840	17,648	17,647

Other operating expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration:		
- Financial Statements audit	22	24
- Other services provided by the Financial Statements auditors	2	2
- Internal audit	15	15
Hire of plant and machinery – operating leases	74	74
Hire of other assets – operating leases	22	22

Included within non-teaching costs for the current year is £286k in connection with an unsuccessful merger.

8 Interest and other finance costs – Group and College

	2019 £'000	2018 £'000
Bank interest on loans due in more than five years	189	195
Pension finance costs (Notes 16 and 19)	161	182
Total	350	377

9 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)

10 Tangible fixed assets (Group and College)

	Land and buildings freehold £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2018	35,348	6,019	-	41,367
Additions	90	506	5	601
Transfers	-	-	-	-
Disposals	-	(8)	-	(8)
At 31 July 2019	35,438	6,517	5	41,960
Depreciation				
At 1 August 2018	6,223	5,026	-	11,249
Charge for year	754	523	-	1,277
Elimination in respect of disposals	-	(8)	-	(8)
At 31 July 2019	6,977	5,541	-	12,518
Net book value at 31 July 2019	28,461	976	5	29,442
Net book value at 31 July 2018	29,125	993	-	30,118

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

The College occupies College House, Compton, under the terms of a 99-year lease at a peppercorn rent with Hampshire County Council. The property is included in the balance sheet at valuation.

11 Non-current investments

	College 2019 £	College 2018 £
Investment in subsidiary company at cost	100	100
Total	100	100

The College owns 100% of the issued ordinary £1 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Trade and other receivables

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year:				
Trade receivables	309	309	224	224
Amounts owed by subsidiary company	-	14	-	14
Prepayments and accrued income	265	265	291	291
Amounts owed by the ESFA	1,351	1,351	1,771	1,771
Total	1,925	1,939	2,286	2,300

13 Creditors: amounts falling due within one year

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans	4,299	4,299	377	377
Payments received in advance	174	174	225	225
Trade payables	190	190	503	503
Amounts owed to subsidiary company	-	14	-	14
Other taxation and social security	262	262	222	222
Accruals	3,898	3,898	3,719	3,719
Deferred income – Government capital grants	377	377	377	377
Amounts owed to the ESFA	-	-	-	-
Total	9,200	9,214	5,423	5,437

All bank loans are showing as payable within one year because the College breached the loan covenants on each of the loans. A covenant breach waiver was not obtained before the year end. The Lloyds loans are currently being renegotiated.

14 Creditors: amounts falling due after one year

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans	-	-	4,302	4,302
Deferred income – government capital grants	12,204	12,204	12,580	12,580
Total	12,204	12,204	16,882	16,882

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Maturity of debt

a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2019		2018	
	Group £'000	College £'000	Group £'000	College £'000
In one year or less	4,299	4,299	377	377
Between one and two years	-	-	372	372
Between two and five years	-	-	1,181	1,181
In five years or more	-	-	2,749	2,749
Total	4,299	4,299	4,679	4,679

All bank loans are showing as payable within one year because the College breached the loan covenants on each of the loans. A covenant breach waiver was not obtained before the year end.

The Lloyds loans total £4,198 and has been in renegotiation since May 2019. A fixed element at 6.80% which totals £1,663k was due for repayment on 1 August 2019 but was not recalled. A variable element at 2.0% above base rate is repayable by instalments falling due between 1 January 2008 and 31 December 2027 and totals £760k. A further variable element totals £1,775k and is repayable by instalments between June 2017 and May 2037. All three of these loan elements are secured on the main site at Chestnut Avenue.

An additional unsecured variable bank loan at 2.75% above base rate is repayable by instalments falling due between 1 August 2012 and 31 July 2022 and totals £101k.

16 Provisions

	Group and College		Total
	Defined benefit obligations £'000	Enhanced pensions £'000	£'000
At 1 August 2018	5,930	462	6,392
Expenditure in the period	(880)	(36)	(916)
Interest cost	150	11	161
Staff cost	1,220	-	1,220
Actuarial gain over year recognised in Statement of Comprehensive Income	1,570	(1)	1,569
As at 31 July 2019	7,990	436	8,426

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pensions Scheme. Further details are given in Note 19.

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. This provision has been recalculated in accordance with guidance issued by the ESFA.

The principal assumptions for this calculation are:

	2019	2018
	%	%
Price inflation	1.30	1.30
Discount rate	2.30	2.30

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 Revaluation reserve

	Group and College	
	2019	2018
	£'000	£'000
At 1 August 2018	4,583	4,681
Depreciation on revalued assets	(96)	(98)
Depreciation on disposed assets	-	-
	<hr/>	<hr/>
At 31 July 2019	4,487	4,583
	<hr/>	<hr/>

18 Cash and cash equivalents

	At 1.8.18	Cash flows	Other charges	At 31.7.19
	£'000	£'000	£'000	£'000
Cash and cash equivalent	3,903	(1,415)	-	2,488
Overdrafts	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,903	(1,415)	-	2,488
	<hr/>	<hr/>	<hr/>	<hr/>

19 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

	2019	2018
	£'000	£'000
Teachers' Pensions Scheme: contributions paid	696	732
Local Government Pension Scheme:		
Contributions paid	867	769
Early retirement contributions paid included in redundancy costs	3	8
FRS102 (28) charge	340	380
Charge of Statement of Comprehensive income	<hr/> 1,210	<hr/> 1,157
Total pension cost for the year within staff costs	<hr/> <u>1,906</u>	<hr/> <u>1,889</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 2016.

Contributions amounting to £155k (2018: £164k) were payable to the scheme at 31 July 2019 and are included within creditors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Defined benefit obligations (continued)

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.

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 agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 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 £1,063k (2018: £1,122k).

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 2019 was £1,141k of which employer's contributions totalled £869k and employees' contributions totalled £272k. The agreed contribution rates for future years are 16.6% for employer and between 5.5% and 12.5% for employees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Defined benefit obligations (continued)

Principal actuarial assumptions

The following information is based upon a full actuarial of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.0%	2.0%
Future pensions increase	2.2%	2.1%
Discount rate for scheme liabilities	2.2%	2.8%
Inflation assumption (CPI)	2.2%	2.1%
Commutation of pensions to lump sums:		
- Pre April 2010 entitlement	25.0%	25.0%
- Post 31 March 2010	75.0%	75.0%

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 2019	At 31 July 2018
Retiring today		
Males	23.1	24.1
Females	25.8	27.2
Retiring in 20 years		
Males	24.7	26.2
Females	27.6	29.4

Sensitivity analysis

	At 31 July 2019	At 31 July 2018
	£'000	£'000
Discount rate +0.1%	27,090	23,110
Discount rate -0.1%	28,240	24,100
Mortality assumption – 1 year increase	28,570	22,930
Mortality assumption – 1 year decrease	26,760	24,270

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Defined benefit obligations (continued)

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

	Long term rate of return expected at 31 July 2019	Fair value at 31 July 2019 £'000	Long term rate of return expected at 31 July 2018	Fair value at 31 July 2018 £'000
Equities		11,889		11,289
Government Bonds		4,069		4,100
Corporate Bonds		-		195
Property		1,422		1,243
Cash		375		373
Other		1,995		550
Total fair value of plan assets	2.2%	<u>19,750</u>	2.8%	<u>17,750</u>
Actual return on plan assets		<u>1,220</u>		<u>1,620</u>

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

	2019 £'000	2018 £'000
Fair value of plan assets	19,750	17,750
Present value of plan liabilities	(27,660)	(23,600)
Present value of unfunded liabilities	(80)	(80)
Net pensions liability (Note 16)	<u>(7,990)</u>	<u>(5,930)</u>

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,220	1,140
Past service cost	-	90
Total	<u>1,220</u>	<u>1,230</u>
Amounts included in interest and other finance costs		
Pension finance costs	161	181
Total	<u>161</u>	<u>181</u>
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	710	1,210
Experience losses arising on defined benefit obligations	(2,280)	420
Changes in assumptions underlying the present value of plan liabilities	-	-
Amount recognised in Other Comprehensive Income	<u>(1,570)</u>	<u>1,630</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Defined benefit obligations (continued)

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

	2019	2018
	£'000	£'000
Net defined benefit (liability)/assets in scheme at 1 August	(5,930)	(7,010)
Movement in year:		
Current service cost	(1,220)	(1,140)
Employer contributions	880	850
Past service cost	-	(90)
Net interest on the defined (liability)/asset	(150)	(170)
Actuarial gain or loss	(1,570)	1,630
	<hr/>	<hr/>
Net defined benefit liability at 31 July	(7,990)	(5,930)

Assets and liability reconciliation

	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at the start of the period	23,680	22,600
Current service cost	1,220	1,140
Interest cost	660	580
Contributions by Scheme participants	270	250
Experience gains and losses on defined benefit obligations	2,280	(420)
Changes in financial assumptions	-	-
Estimated benefits paid	(370)	(560)
Past service cost	-	90
Curtailments and settlements	-	-
	<hr/>	<hr/>
Defined benefit obligations at end of period	27,740	23,680
Changes in fair value of plan assets		
Fair value of plan assets at start of period	17,750	15,590
Interest on plan assets	510	410
Return on plan assets	710	1,210
Employer contributions	880	850
Contributions by Scheme participants	270	250
Estimated benefits paid	(370)	(560)
	<hr/>	<hr/>
Fair value of plan asset at end of period	19,750	17,750

NOTES TO THE FINANCIAL STATEMENTS (continued)**20 Events after the reporting period**

There are no post balance sheet events.

21 Capital and other commitments

	Group and College	
	2019	2018
	£'000	£'000
Commitments contracted for at 31 July	-	94

22 Lease obligations

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

	Group and College	
	2019	2018
	£'000	£'000
Other		
Not later than one year	96	96
Later than one year and not later than five years	166	262
Later than five years	-	-
	262	358

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.

The total expenses paid to or on behalf of the Governors during the year was £1,110, three governors, (2018: £1,472; four governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

During the year one Governor received remuneration from the College of £12,156 due entirely to their involvement in the unsuccessful merger (2018: none). This remuneration was authorised by order of the Charity Commission. No other Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: none).

Key management personnel disclosure is given in Note 6.

Transactions with the ESFA and OFS are detailed in Note 2.

NOTES TO THE FINANCIAL STATEMENTS (continued)**24 Amounts disbursed as agent****Learner Support Funds**

	2019	2018
	£'000	£'000
Funding body grants – bursary support	289	234
Funding body grants – discretionary learner support	-	-
	289	234
Disbursed to learners	(147)	(175)
Administration costs	(8)	(8)
Balance unspent as at 31 July included in creditors	134	51

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 THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated August 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Eastleigh College during the period 1 August 2018 to 31 July 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for Conclusion

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

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

Responsibilities of the Corporation of Eastleigh College for Regularity

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

Reporting Accountant's Responsibilities for Reporting on Regularity

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

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF EASTLEIGH COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY (continued)

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

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

Use of our Report

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

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Date 30 January 2020