EASTLEIGH COLLEGE

FINANCIAL STATEMENTS

FOR THE YEAR TO

31 JULY 2021

CONTENTS

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 2020/21:

Paul Cox, Chief Executive
Pete Joddrell, Deputy Principal (from 19 April 2021)
Kevin Jones, Vice Principal Finance, Funding and Management Information
Paul Stannard, Vice Principal, Quality, Compliance & Improvement
Lou Gittens, Vice Principal, Curriculum
Darren Coventry, Vice Principal, Commercial (to 19 April 2021)
Jan Edrich, Consultant (to 31 August 2020)

Board of Governors

A full list of Governors is given on pages 18 and 19 of these Financial Statements.

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

Professional Advisors

Financial Statements auditors and reporting accountants:
McIntyre Hudson LLP
6th Floor
2 London Wall Place
London
EC2Y 5AU

Internal auditors:

Southern Internal Audit Partnership
Corporate Services (until 31 July 2021)
Hampshire County Council
The Castle
Winchester
Hants
SO23 8UB

TIAA (from 1 August 2021)
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Bankers:

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

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Solicitors:

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

Eversheds
1 Wood Street
London
EC2V 7WS

OPERATING AND FINANCIAL REVIEW

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited Financial Statements for the year ended 31 July 2021.

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 in May 2020 is:

Our Vision

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

Our Mission

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

Our Values

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

Respectful - polite, tolerant, honest, friendly, supportive
Professional - punctual, prepared, lead by example, meet deadlines
Ambitious - aim high, be your best, exceed targets, be inquisitive
Resilient - commit, be determined, keep going however hard it gets, manage own wellbeing

Strategic Principles

The College's strategic principles are summarised below:

1. Sustainability and Direct Delivery Growth
2. High Standards and an expectation of Excellence
3. Reputation and Brand
4. Forward Scanning

Implementation of Strategic Plan

Following extensive internal and external consultation, and board approval in May 2020 an ambitious strategy was launched to learners, employers, stakeholders and staff in September 2020. The 'More Learners, More Successful, More Often' strategy covers the period 2020 to 2024. The strategic objectives sit within the four strategic principles above and were the foundation for the budget for 2020/21. The new budget for 2021/22 and forecasts for 2022/23 to 2024/25 are wholly aligned to the strategy. From the start (January 2020) of the period of developing the new College strategy the College requested a Further Education Commissioner Diagnostic Assessment that during 2020/21 saw two visits completed, in addition the College has engaged proactively throughout with the ESFA. This proactive engagement, and transparent approach was deemed essential by the College given the

OPERATING AND FINANCIAL REVIEW (continued)

Implementation of Strategic Plan (continued)

ambitions proposed and the necessary change to the College's historic over prioritisation of subcontracted delivery that was being considered.

The strategy focuses on reducing the College's historic over prioritisation of subcontracted activity through prudent increases in direct delivery alongside tight financial control and management. The College also plans to further strengthen its learning community through greater collaboration with agencies, councils, (LEPs), other College's, the University of Portsmouth, Solent University, schools and employers.

COVID-19

The College has applied its strategic principles in response to the COVD-19 pandemic which emerged during 2020 and which continued to impact the College throughout 2020/21. The College Management has worked closely with Governors to ensure the College has maintained learning throughout the whole learning year and has ensured measures were in place to meet the exceptional and evolving requirements of the Department for Education and Public Health England. Learners and staff responded positively to all the changes and adaptations made which impacted existing learners, applicants, stakeholders and employer partners.

The College's Covid 'Bounce Back Pledge (2020/21) and the July 2020 launch of the 2021/22 'Covid Recovery Commitments' enabled the College to share the capacity and expertise available to employers, and the wider community. Both the pledge, and commitments delivered strong and positive messages about the College's dedication to collaborative and partnership working.

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 18.

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)

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 financial Key Performance Measures and Indicators have been approved by the board to reflect the College's 2020 – 2024 strategy and the ongoing challenges presented by the pandemic. The targets are set in the context of what the College aims to achieve and surpass by the end of the 2023/24 academic year.

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

OPERATING AND FINANCIAL REVIEW (continued)

Public Benefit (continued)

The board approved underpinning finance key performance measures (KPM) are:

- Minimum contribution rate after direct teaching costs of 50% by July 2024.
- Total surplus as % of income is greater than 2% by July 2024.
- Minimum cash days in hand is 40 days (loan covenant is 37 days).
- Pay to net (inclusive) income ratio of 65% by July 2024.
- Financial health score is 180 (“good”) by 2023/24 financial year end.

During 2020/21 the College took planned restructure actions and further evolved the well-developed and detailed business plan to re-establish the College’s financial sustainability through the 2020 – 2024 strategy period and achieve target EBITDA levels that have not been achieved for some years. The detailed business plan is underpinned by carefully considered scenario modelling and carefully considered potential mitigations. The detailed business plan, KPI and KPM will ensure the College has strong financial foundations. By also focussing on maintaining adequate cash levels and careful treasury management, the College aims to return to the ‘Good’ criteria for the ESFA’s current financial health assessment model by the end of the 2023/24 academic year. For 2021/22 the approved budget was set to achieve ‘Requires Improvement’. 2020/21 was the final year of funding from the Greater London Authority, so 2021/22 will see a further drop in total income before the strategy to drive new direct delivery starts to deliver planned income growth.

The College uses the ESFA definition of EBITDA which excludes profits and losses on asset disposals, capital grant releases, FRS102 pension provisions and gains and losses arising from property and revaluations. Similarly, the adjusted current ratio used for ESFA financial health calculations excludes deferred capital grants, holiday pay accruals and any assets held for resale.

The College’s financial results for 2020/21 have been assessed against the ESFA’s Financial Health tests and our results place the College in the “Requires Improvement” category. This is unchanged from the “Requires Improvement” position based on 2018/19 and 2019/20 final accounts. Through the requested Diagnostic Assessment process and proactive engagement both the Further Education Commissioner and ESFA have a strong understanding of the College’s planned financial health score trajectory.

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 are non-cash and recalculated annually, so by removing the non-cash movements, it is easier to compare between years.

	2021 Comprehensive Income £000	2021 FRS102 Retirement Benefit Adjustment £000	2021 Excluding FRS102 £000	2020 Excluding FRS102 £000
Income	19,937	-	**19,937**	23,055
Expenditure	21,728	1,136	**20,592**	22,909
Surplus/(deficit)	(1,791)	(1,136)	**(655)**	146
Profit/(loss) on asset disposals	-	-	**-**	-
Surplus before FRS102 pension costs	(1,791)	(1,136)	**(655)**	146

OPERATING AND FINANCIAL REVIEW (continued)

Financial Results (continued)

Overall the College generated an operating deficit of £655k before FRS102 non-cash pension costs adjustments (2019/20 = £146k surplus) against a budget deficit of £774k.

Income has decreased by a further £3,241k compared to 2019/20 following a decrease of £4,704k compared with year before that. The College's main source of income is the grant it receives from the Education & Skills Funding Agency (ESFA), but 2020/21 also includes the final year of a significant contract with Greater London Authority. In 2020/21 the combined funding from ESFA and GLA totalled £18,039k (2019/20: £20,875k) representing 91% of total income (2019/20: 91%); the income reduction of £2,836 accounts for 87% of the overall drop in College income with balance strongly linked to impact of Covid restrictions. Tuition fee income and income from education contracts decreased by £90k to £1,650k (2019/20 = £1,740k); Higher Education courses are delivered under a franchise relationship with University of Portsmouth and in 2020/21 being the first full year delivery was above budget. The College also launched Eastleigh College Online in early 2021 and learner numbers on the platform are growing each month.

The College's expenditure, excluding FRS 102 adjustment of £20,439k, decreased by £2,470k compared with 2019/20 this followed a decrease of £6,365k compared to the previous year to that. There was no inflationary increase to pay awarded within 2020/21, however a one off non-consolidated payment was made to all staff equivalent to 1%. Sub-contractor payments were reduced in line with reduced grant income and there were also some savings against other expenditure compared with 2019/20. The College did absorb additional costs linked to COVID-19 in the year including increased costs of cleaning and subsidising the on-site catering outlets. The College was also required to set up an on-site Test Centre at short notice to commence regular learner testing from January 2021. The set up and costs of staffing were partially subsidised by additional income from ESFA.

Not included in the summary above is the impact of the remeasurement of defined benefit pension liability, which is included at the bottom of the Consolidated Statement of Comprehensive income to adjust the surplus/deficit to identify the Total Comprehensive income for the year. The positive movement of £3,048k is an exceptional movement in an unusual year and partially reverses the negative movement of £8,076 in 2019/20, the details of this are included in note 20. The 2020/21 movement was significant and it is important to note that this is consistent across colleges and their pension schemes. The figure is a non-cash adjustment, but reflects the forward liability of the College for pension commitments based on actuarial assumptions applied to the accounting year end. Both pension schemes have recently increased employer contributions and the level of liability suggests a risk that contributions could rise again in the future.

The impact of the currently high levels of calculated forward pension liability referred to above means that the College's total unrestricted reserves continue to show a negative position of £3,568k compared to £4,855k in 2019/20.

The value of tangible fixed asset in the balance sheet increased from £28,709k to £28,797k (an increase of £88k). This reflects investment in buildings enabled by the Further Education Capital Allocation funding received in year for conditional works as well as continued spend on equipment offset by the costs of depreciation in year.

Balances totalling £3.012m as at 31 July 2020 and previously recognised as creditors have been reclassified as Other provisions at 31 July 2020, due to uncertainty surrounding the amounts and timing of payments, leading to a restatement of the prior year accounts, increasing provisions by £3.012m and decreasing creditors by the same amount, with no impact on reserves.

Of the £3.012m, £1.074m related to a provision for a repayment of ESFA AEB funding. This provision of £1.074m was transferred to creditors during the year on crystallisation of liabilities.

The balance of the provision of £1.938m as at 31 July 2020 reflected a liability in respect to funding during Covid-19 and was released in the year.

OPERATING AND FINANCIAL REVIEW (continued)

Financial Results (continued)

Further provisions totalling £1.181m were made during the year to 31 July 2021 relating to specific liabilities where the amounts are uncertain and the future payment dates are unknown, though there is a realistic expectation of a liability crystallising and payment being made within 2021/22 accounting year.

The college has taken account of Section 12.14 FRS 102 in making these disclosures.

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 2020/21 the surplus generated was £7k (2019/20: £8k), the reduction being due to closure during COVID-19 lockdown.

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 inflow in 2020/21 of £1,150k (2019/20 = £1,290k outflow).

Liquidity

The size of the College's total borrowing is £3,547k (2019/20 = £3,866k), all borrowing is with Lloyds bank and as at 31 July 2021 the loan contract covers the period 31 March 2022. Lloyds Bank have agreed to extend the loan contract for a further 18 months to 30 September 2023, with further extensions to be agreed beyond that date. The approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation to ensure 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 negative £7,863k. (2019/20: negative £9,246k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses. However, the current levels include exceptional movements in the remeasurement of defined benefit pension liability, the negative movement of £8,076k in 2019/20 has been positively offset by an increase of £3,048k in the total comprehensive income for 2020/21, over the two years this still generates a negative movement of £5,028k.

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 2020/21, the College's targets agreed with the funding bodies were as follows; the ESFA 16-18 target was 1,064 learners, at a funding level of £6,044k (including £809k Disadvantage funding). In addition,

OPERATING AND FINANCIAL REVIEW (continued)

Learner Numbers and Funding Body Targets (continued)

the College received funding for both 16-18-year-old and adult apprentices based on a pro rata share across the two annual allocations which straddle the College financial year. The value of this is summarised below:

	Aug 2020 to March 2021 (8 months)	April 2021 to July 2021 (4 months)	Funding for financial year
16-18 non-levy apprentices	£1,184k	£538k	£1,722k
Adult non-levy apprentices	£730k	£448k	£1,178k

The College's combined Adult Skills Budget funding from ESFA and GLA was £7,744k.

Learner Achievement

Education & Training (E&T): In 2020/21 16-18 outcomes continued to be strong with achievement at 90.2%, that demonstrates a further consolidation of the progress seen since 2018/19. The adult achievement rate of 91.2% is in line with previous years.

Apprenticeship: Overall achievement was 48% (63% in 2019/20). The overall apprenticeship measure has been impacted negatively by historic subcontracted performance, subsequent withdrawal of subcontracted Apprentices, transfer of subcontracted Apprentices to alternative providers and also the conclusion of the Colleges historic work-based apprenticeship provision. The Colleges day and block release provision outperformed that of the subcontractors and historic work-based learning at 58% which is 6% below pre-pandemic benchmark. In 2020/21, the overall apprenticeship end point assessment (EPA) first time pass rate was 94%. This figure is consistent between all apprenticeship delivery modes and indicates that preparation and readiness for EPA is good.

The College has seen a significant improvement in the number of 16-18 learners who would recommend the College to a friend, from a low of 86% in 2016/17 to 94% of learners in 2020/21. Over 95% of adult learners would continue to recommend the College to a friend.

Curriculum Developments

The College continues to offer a broad spectrum of professional and technical programmes for young people, adults and apprentices 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, online, 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. The Apprenticeship provision for all age groups has remained steady for local provision with subcontracted activity now restricted to continuers from earlier years, with all subcontracted apprentices planned to complete their programmes no later than 2022/23. Partnership working 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 strengthened its strategic partnership arrangement with the University of Portsmouth to support and develop progression routes for learners. The College's relationship with Solent University has developed through 2020/21 with a reciprocal governance arrangement now established (whereby the Solent University Vice Chancellor is a board member of Eastleigh College, and the College's Chief Executive is a board member of Solent University).

The College and College House were both last inspected by Ofsted in 2018/19. 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 in 2018/19. The College responded to a

OPERATING AND FINANCIAL REVIEW (continued)

Curriculum Developments (continued)

request from Ofsted to review its on-line provision as part of a specialist review actioned in response to the Covid-19 Lockdown and received positive feedback in the report. 2020/21 was a very successful year for the College with regards to external recognition including the following highlights:

- Pearson Teaching Awards , Silver Winner, 2021 Award for FE Team of the Year (sponsored by the DfE), Awarded to the Catering and Hospitality Team
- Pearson Teaching Awards, Highly Commended, 2021 Lockdown Hero Award for Learner and Community Support, Awarded to Greg Cheeseman, Lecturer in Hospitality
- Pearson Teaching Awards, Certificate of Excellence, 2021 Award for Lifetime Achievement, Awarded to Lou Gittens, Former Vice Principal
- Pearson Teaching Awards, Certificate of Excellence, 2021 FE Team of the Year, Awarded to The Maths Team
- NCFE Aspiration Awards, Winner Against All Odds, Awarded to Lucas Renyard, Learner Public Services Course
- BTEC Awards, Bronze Winner, BTEC Business and Enterprise Learner of the Year 2021, Awarded to Andrew Urben, Learner Event Management Course
- Hampshire Education Awards, 2020 Winner Futures Award, Awarded to Trudy McKenzie, Careers Advisor
- RAC and IOR Awards, Winner National Student of the Year, Awarded to Luke Haile, Engineering Apprentice
- AOC Beacon Awards, Commended in the categories of Employer Engagement and Support for Students

The national qualification achievement rates were not updated in either 2019/20 or 2020/21 due to Covid, therefore the most recent Government figures relate to 2018/19 at which time the College was:

- #1 College in Hampshire for student achievement in the all ages and aged 16-18 categories
- #10 College in the Country for student achievement in the all ages category
- #3 Nationally for English and Maths for student achievement in the all ages and all levels categories
- #4 Nationally for Education and Training for student achievement in the all ages category
- #9 Nationally for Business, Administration and Law for student achievement in the all ages category
- #10 FE College Nationally for Health, Public Services and Care for student achievement in the all ages category

The College works with a large number of employers (1,791 employers had learners or apprentices studying with the College in 2020/21). The Commercial division manages workplace learning contracts, apprenticeships and subcontracted provision. 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 College works closely on apprenticeship training programmes with a number of larger employers to help them get best value from the Apprentice levy. The College has developed a knowledge of local employer needs to form effective partnerships to support communications and marketing to promote vocational learning. Employer feedback is essential to strengthen this College role as a driver for regional economic growth.

The College continues to subcontract with a number of 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 subcontractors and a compliance audit team who monitor the quality of subcontracted delivery. Subcontractors who do not meet the College’s quality and compliance audit requirements have their contracts terminated.

The College’s Learner Satisfaction Survey, published annually by Further Education Public Information Framework, FE Choices, and has consistently resulted in high percentages of respondents stating that

OPERATING AND FINANCIAL REVIEW (continued)

Curriculum Developments (continued)

they would recommend Eastleigh College to friends and family. The 2020/21 survey was cancelled due to COVID-19, so the most recent Employer Satisfaction score was 88% in 2018/19 unchanged from the previous year.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2020 to 31 July 2021 the College paid 73% of its invoices within 30 days. The 73% of the invoices paid within 30 days represents 88% of the total expenditure in that period. The College incurred no interest charges in respect of late payment for this period.

Post Balance Sheet Events

On 24 November 2021, the College received confirmation that ESFA had supported a business case to retain a proportion of Adult Skills funding for delivery under 90% against contract. The retention figure of £228k therefore reduces the level of clawback included in cashflow projections for December 2021. This retention is being treated as a non-adjusting post balance sheet event on the basis that as at 31 July 2021 there was little information available to the sector about the business case process, as such expectation of a positive business case outcome was low for the College and the funding decision made in November 2021 was based on the College’s business case submission rather than the timing of the events used to calculate the figure.

Future Developments

16-18 full time learner enrolments for 2021/22 are above the funded target and early indications are that part time adult enrolments on full cost and funded vocational courses will achieve targets.

Apprentice numbers for continuers and for new starts are at budget levels with further intakes planned in year. The College made a strong pledge to support employers in the region to bounce back from Covid-19 and continues to work with employers to match them with learners applying for applications who haven’t yet found an employer.

A core part of the College strategy is to grow direct delivery, especially for adult skills and traineeships as well as specialist full cost courses and adult learning. 2021/22 will be the first full year of activity for Eastleigh College Online (ECO) and the College’s Traineeship delivery model is planned to see strong partnerships develop with apprenticeship ‘employer providers’.

The College continues to review its value for money of operations and will continue to closely monitor curriculum staff workloads and course delivery methods and optimise class sizes in order to ensure the efficient use of teaching staff. Support staff costs will continue to be rigorously controlled. Staff costs will continue to be reviewed and aligned with operating income and to reflect the forward levels of sub-contracted provision.

RESOURCES

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

Property

Freehold property includes the main college site in Chestnut Avenue, which includes extensions to D Block and B Block constructed as part of the £10m Redevelopment Project in 2007/08, a refurbished

B Block and a new teaching Block (E Block). The Learning Centre, the Refectory and C Block have all been refurbished providing modern learning environments and social space. A new teaching block and

Financial (continued)

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 tangible fixed assets of £28,797k and this is offset by a long-term creditor for deferred capital of £12,361k (2019/20 = £11,827k) which is being released in line with depreciation. The College net assets also include £14,994k (2019/20 = £16,906k) of provision for defined benefit pension obligations based on the most recent actuarial calculations. Including the full loan debt of £3,547k within creditors falling due within twelve months to reflect current contract end date, the net current assets are minus £3,387k. Other provisions are £1,181k and this is included in the total net assets of the College of minus £3,598k, which are £1,755k lower compared to the restated position of minus £1,843k net assets as at 31 July 2020.

The cash position at 31 July 2021 was £4,928k up from £3,778k the previous year. The College is now entering a period where cash levels are expected to fall. This reflects the reduction of cash held in advance before passing on to other education providers based on subcontract agreements and for capital projects funded in advance from the ESFA FE Capital Allocation made in September 2020.

The balance also includes funds that are to be returned to ESFA during 2021/22. The College uses the ESFA College Financial Forecasting Report (CFFR) to monitor longer term cash flows backed up by a separate daily cash flow projection for the period to July 2024.

The College debt with Lloyds is currently on an annual renewal basis following the covenant issues arising out of the 2018/19 final accounts. The new contract to extend to 31 March 2022 was approved within the year and Lloyds Bank have confirmed agreement to a contract amendment to extend a further eighteen months to 30 September 2023 was approved in December 2021.

People

The average headcount of persons (including key management personnel) employed by the college during the year was:

	2020/21	2019/20
Teaching staff	**197**	216
Non-teaching staff	**201**	247
Total	**398**	463

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.

OPERATING AND FINANCIAL REVIEW (continued)

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.

During 2020/21 the College undertook a full review of its approach to Risk Management. The College now has a focussed set of risks each backed by a detailed individual risk report. Risk management focusses on staff understanding the risk triggers and the consequences to enable the College to put in place effective risk controls. Risk Management Board and Governors challenge these control measures to establish assurance in those risk controls and this process will drive actions through Senior Management Team meetings. The risk owners also work with managers to build robust plans to mitigate for both emerging risks and also the recovery actions to be taken after a risk event.

The risk register includes scoring of both gross risk and net risk and the outcome is presented in a simple risk matrix. Risk Management Board reviews all individual risks at least three times a year including re-scoring. Every risk is linked to a Governor committee meeting and is included as a standard agenda item at all meetings. The new approach to risk has been audited by the internal audit service provider in September 2021 and assessed as providing substantial assurance.

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

In February 2020, SMT reacted quickly to the emerging risk from the Coronavirus pandemic and quickly established an additional Covid-19 Leadership Group which included SMT plus, Head of HR, Health and Safety Advisor and called in other key staff including Safeguarding to ensure careful management of an emerging and evolving risk with the potential for very high impact on the College.

The Covid Leadership Group continued to meet regularly throughout 2020/21, at times twice a week or more and never less than weekly and helped ensure continuity of learning throughout the year and the set-up of a purpose-built on-site test centre and the introduction of twice weekly home testing for learners.

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 2020/21 91% (2019/20 = 91%) of the College's revenue was ultimately publicly funded. Whilst the recent reports such as the Ney Report and NAO reports on FE financial sustainability show a positive forward direction for the sector, there can be no assurance that Government policy or practice will maintain public funding at the same levels, or on the same terms, on indeed keep pace with inflation.

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

- The Government will need new strategies to reverse the escalation in public sector debt which has been further impacted by the unprecedented response to the COVID-19 pandemic and lockdown. This will likely have a significant impact on Further Education although in the short-term colleges may have a funded role in the economic recovery plan.
- The current Government has indicated plans for new funding for the further education sector with its FE white paper: Skills for jobs: lifelong learning for opportunity and growth published in January 2021. The College business plan is based on existing funding rules and levels however the strategic plan and underpinning forecasts have sought to be developed in line with expected white paper thinking.

OPERATING AND FINANCIAL REVIEW (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- In real terms the base funding rate for 16-18 learners has declined since 2010. No increase has been assumed or modelled in any of the College's future planning. The College can confirm its ability to meet the funding criteria in order to claim the funding.
- The College continues to reduce sub-contracted provision.
- 2020/21 is the second year of devolved Adult Education Budget (AEB) funding following devolution to local commissioning authorities in 2019/20. The College retained an existing fixed term contract for work in the Greater London Authority which ended in July 2021.

2. Tuition Fee Policy

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

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

3. Maintain Adequate Funding of Pension Liabilities

The Financial Statements report the College's share of the Hampshire County Council (HCC) local government pension scheme (LGPS) deficit on the College's balance sheet in line with the requirements of FRS102. Following significant changes in the actuarial assumptions used in calculating the deficit, the deficit has increased exceptionally this year and consequently the College now has a negative net assets position. It is anticipated that the assumptions in future years will reverse the scale of the provision as the economic position this year and at time of the actuarial review was unexpected and therefore challenging to forecast using traditional calculations.

4. Risks Related to the College's Property Strategy

The most recent major investment in the College's buildings was completed in 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. During 2020/21 additional Further Education Capital Allocation enabled the College to replace poor condition roofing in both the D block and single-storey section of A block. The latter action was part of a larger scale refurbishment to create a new Learner Hub including one stop learner support, social learning and flexible use of space. New teaching areas have been created for apprentice end point assessments and for increased capacity for plumbing and carpentry. The College also improved site security through installation of improved perimeter fencing and gates and high-speed access control gates for all staff, learners and visitors to create a safer learning environment.

In March 2021, the College main boiler system servicing blocks A, B, C and D broke down and was identified as beyond repair. A hired boiler was set up in the car park to ensure continued heating and hot water supplies. Consultant heating engineers are now working with the College to design a new more efficient heating system and support bids for external funding as part of the College strategy to reduce its carbon emissions.

5. Failure to Maintain the Financial Viability of the College

In 2020/21 the College implemented its new strategy and detailed budget to deliver a financially sustainable college based on growth of directly delivered learning and increased efficiency of College resources. The budget had to be revised down for the real impact of Covid restrictions on apprentice enrolments and progress as employers were restricted in their operations throughout the year. The

OPERATING AND FINANCIAL REVIEW (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

relationship with the lending bank has improved and the loan is now being reviewed annually. The College continues to work closely with ESFA, to drive a strategy to move the College back to a financial health score of "Good", this is planned to be achieved by 2023/24.

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

- Rigorous budget setting procedures and sensitivity analysis
- Full costed curriculum plan with contribution by course for courses running throughout 2021/22
- Full forward costed curriculum plan for 2022/23 and 2023/24 in progress
- Robust planning to ensure the effective management of change
- Regular in-year budget monitoring and management of operating costs
- Robust financial controls
- Increased focus on procurement efficiencies

6. Risks related to COVID-19

The College has a very comprehensive risk register, but like most colleges and businesses, it had to react and evolve rapidly as the scale of the COVID-19 pandemic was unveiled. The scale of this risk event which was assessed as low probability within possible business continuity issues has been very high impact on the College, again like most businesses. This is a brief summary of how the College met the challenges in order to maintain learning throughout the year and support our learners to complete.

- The College quickly established a COVID-19 leadership group to manage the emerging situation, at times this group has met 3-5 times a week
- New software was acquired at very short notice to ensure the College had the systems and capacity to host all staff and all learning delivery on a remote platform
- Before lockdown all staff were introduced to and trained in Microsoft Teams to support all meetings
- Google classrooms was established as the preferred tool for remote delivery, other software options were also facilitated to support social learning
- The College moved quickly to buy enough Chromebooks to ensure all learners could borrow one and all staff had the ability to work remotely
- All staff were required to complete and sign a workplace assessment for home working
- Additional cleaning was put in place including all touch points
- The College remained open for any learner to come as a safe place with access to catering which remained open subsidised on an open book basis
- Safeguarding team all moved on site and available every day, all vulnerable learners contacted and all learners offered mental health support
- Technician staff redeployed to Estates to provide refresh of all learning spaces
- All learning areas risk assessed in line with government guidance and set up ready for re-opening post lockdown

Lockdown and furlough had a major impact on the employers hosting College learners and this led to many learners being displaced on their learning on the job being put on hold. The College has worked pro-actively with these learners to provide ways to continue their study and to find new employers where needed.

The budget for 2021/22 was approved by Governors in July 2021, consistent with the 2020/21 budget, the 2021/22 budget remains realistic about existing apprentice numbers progressing and new starters to be lower than historic levels. To accommodate this income constraint the budget was agreed with a financial score of "Requires Improvement". The College continues to tighten expenditure budgets through efficiency reviews and better procurement as well as tight controls on all staffing decisions by the Senior Management Team.

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:	4
FTE employee number:	3.4 fte

Percentage of Time	Number of employees
0%	0
1 – 50%	4.0
51% - 99%	0
100%	0

Provide the total cost of facility time	£9,220.43
Provide the percentage of the total pay bill spent on facility time	1%
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:	425 hours
Total hours spent on trade union activities by relevant union officials during the relevant period	5.42%

Disability Statement

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

- The accommodation strategy ensures all decisions includes consideration for access and facilities for all learners
- The college has access professionals to provide information, advice and support to learners with disabilities as well as to managers to inform their decisions
- There is a list of available specialist equipment and assistive technology available for learners as well as specialist software widely available on networked computers

OPERATING AND FINANCIAL REVIEW (continued)

Disability Statement (continued)

- The admissions policy of the College provides details of the services and support the College can provide to learners with disabilities
- Learning support assistance is available to learners based on their learning needs assessments
- The College has specialist facilities at College House including equipped residential accommodation which has had significant recent investment in bathrooms and kitchens

Equality & Diversity

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

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

- Assess the impact of policies and procedures to ensure they conform to legislation.
- Maintain and regularly review the 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, subcontractors, contractors and other stakeholders have appropriate equality and diversity philosophies and practices in place and that these are implemented.
- Project the reputation of the College as an equal opportunity employer and provider of services.
- Review analysis of data on ethnicity, disability, gender, age, and other relevant information in order to monitor the implementation of the Policy and take action to promote equality and diversity more effectively.
- Ensure all staff attend regular training updates which is recorded centrally by HR

Equality and Diversity is reported via the annual report and development plan cycle of the College. In partnership with the National Centre for Diversity (NCFD) the College surveyed staff, learners and stakeholders in March 2021. This survey initiated the College's first review of fairness, respect, equality, diversity, inclusion, and engagement (FREDIE). The survey is part of the formal accreditation and approval process required to meet the Investors in Diversity Award. The results of the March 2021 survey ranked the College as 48th in the top 100 companies in the UK.

However, the College also recognises that further work is required to further embed the College values, and FREDIE. As such an action plan has been developed in partnership with the NCFD and a cross College working group established to drive continuous improvement. The working group consists of representatives from across the College and 'FREDIE Champions' who applied and were appointed to the role.

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

OPERATING AND FINANCIAL REVIEW (continued)

Equality & Diversity (continued)

The College recognises the many global and national prominent campaigns in 2020/21, and put particular focus on mental health as staff and learners had to deal with lockdowns and the impact of Covid on families and friends.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. This is backed up by the detailed budget for 2021/22, which delivers a positive cash movement and adequate cash levels for the planning horizon.

2020/21 continued to build a solid recovery from the deficit position reported in 2018/19. This has been challenging at times with the impact of the global Covid 19 pandemic and subsequent periods of national lockdown. This included actions to deliver the new strategy, and to drive growth of directly delivered education. The College launched Eastleigh College Online in early 2021 and has developed a fully detailed costed curriculum to drive this growth. The detailed budget for 2021/22 includes a significant reduction in income for the end of the funded relationship with Greater London Authority and a major reduction in the use of subcontractors to delivery College funded education. The budget and detailed projections through to 2023/24 demonstrate a College strategy that can deliver growth and confidently return the College to “good” financial health whilst maintaining quality learning throughout.

The College has £3,547k of outstanding loan debt with Lloyds Bank and this is currently based on a one-year contract signed within the year which ends on 31 March 2022. The College has a positive and open relationship with the bank and as soon as the contract was signed the plan was put in place to re-open discussions in September 2021 to agree the next extension. Lloyds Bank have confirmed agreement to a contract amendment to extend the loan a further eighteen months to 30 September 2023. More detail about the loan is also included on pages 32 and 33 within the Statement of accounting policies and estimation techniques.

For these reasons, and based on the detail provided throughout this report the College continues to adopt the going concern basis in preparing the financial statements.

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 15 December 2021 and signed on its behalf by:

Jonathan 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 2020 to 31 July 2021 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 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 1 July 2015.

The Corporation

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

Members		Date of appoint -ment	Term of office	Date of resig- nation	Status of appoint- ment	Committees served	Attend- ance
Mrs S	Annett	Sep 2020	1 year		Independent member	F&GP Remuneration	100%
Ms G	Baker	Mar 2019	1 year	Jan 21	Independent member	Standards Search	100%
Mrs A	Cross-Durrant	Sep 2012	8 year*	Sep 21	Independent member	Standards	100%
Mr R	Goodman	Sep 2020	1 year		Independent member	F&GP Search	100%
Mr P	Harris-Bridge	Sep 2020	1 year		Independent member	Audit Search	100%
Mr J	Heaton-Smith	Sep 2020	1 year		Independent member	Audit Search	80%
Mr S	Johnson	Dec 2012	9 year*	Jul 2021	Independent member	Chair: F&GP	100%
Ms K	Matthews	Sep 2020	1 year		Independent member	Standards	100%
Mr C	O'Donoghue	Sep 2020	1 year		Independent member	Standards Remuneration	100%
Mr J	Sendell	July 2011	10 year*		Independent member	Chair: Board Chair: Search	100%
Mrs M	Taylor	Sep 2017	4 year		Independent member	Chair: Audit	80%

STATEMENT OF CORPORATE GOVERNANCE (continued)

The Corporation (continued)

Mr B	Topham	Jul 2019	2 year		Independent member	Audit Remuneration	100%
Mrs J	Grajewski	Dec 2016	4 year	Dec 20	Independent member	F&GP	80%
Miss J	Richmond	Dec 2018	2 year	July 21	Staff member	Standards Search	100%
Mr J	Musselwhite	Jul 2018	3 year		Independent member	Standards	100%
Mrs N	Wigman	Dec 2016	5 year		Independent member	Chair: Standards Chair: Remuneration	80%
Mr P	Cox	Sep 2020	2 year		Chief Executive	F&GP Standards Search	100%
Mr L	Reynard	Oct 2020	1 year	Jun 2021	Student Governor	Standards	100%
Mr S	Davison	Oct 2020	1 y	Jun 2021	Student Governor	Standards	80%

*in second four-year term

Officers of the Board

Chief Executive	Clerk to the Board:	Senior Management Team:
Mr P Cox	Dr C Davis	Mr K Jones
		Mr P Joddrell (from March 2021)

The Board

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

The Board is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as Health & Safety and environmental issues. The Board meets 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.

STATEMENT OF CORPORATE GOVERNANCE (continued)

The Corporation (continued)

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 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 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).

Corporation Performance

The Board carried out a self-assessment of its own performance for the year ended 31 July 2021 and graded itself Grade 2 on the Ofsted scale.

Impact of COVID-19 on Governors ability to perform role

COVID-19 had no negative impact on Governors ability to perform their roles. Board and committee meetings took place as normal through Microsoft Teams. Electronic papers had been introduced prior to the pandemic. Additional 'special' meetings were also held during the pandemic which further demonstrates the strength of governance at the College. Meetings have been effective and the video conferencing tool functionality has enabled full involvement of Governors in all meetings and decision making. The Chief Executive maintained regular COVID-19 updates to ensure Governors were updated throughout 2020/21.

Remuneration Committee

Throughout the year ending 31 July 2021, the College's Remuneration Committee comprised four external Governors and was chaired by a Governor other than the Chair of the Board. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Chief Executive and other senior post-holders.

The Board adopted the 'Association of College's Senior Staff Remuneration Code' at the meeting on 24 September 2018.

Details of remuneration of senior post-holders for the year ended 31 July 2021 are set out in Note 7 to the Financial Statements.

STATEMENT OF CORPORATE GOVERNANCE (continued)

Audit Committee

The Audit Committee comprises four members of the Board (who exclude the Chief Executive and Chair). The Committee operates in accordance with written terms of reference approved by the Board. Its purpose is to advise the Board on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and Financial Statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

Management are responsible for the implementation of agreed recommendations 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, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the ESFA. He is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

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

The system of internal control has been in place and operational in the College throughout the financial year ended 31 July 2021 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 2021 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board.

STATEMENT OF CORPORATE GOVERNANCE (continued)

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

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

At a minimum annually, Internal Audit provides the Board with a report on internal audit activity in the College. The report includes Internal Audit's independent opinion on the adequacy and effectiveness of the College's system of risk management controls and governance processes.

Control Weaknesses identified

An internal audit report on work experience reviewed during the lockdown period highlighted a number of recommendations and fell below the acceptable level of assurance. The College took swift action to complete these actions providing regular updates to Governors. All actions have been completed and a repeat audit review is to take place in March 2022 in order to establish an acceptable level of assurance.

Responsibilities under funding agreements

The College has met its contractual responsibilities under its funding agreements with ESFA and with the Greater London Authority. All claims have been based on learner information which is thoroughly checked before all monthly submissions and tested through audit.

Statement from the Audit Committee

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the audit committee in 2020/21 and up to the date of the approval of the financial statements include tracking of all recommended actions arising out of internal audit reviews; actions are not cleared from Audit Committee list until agreed within meetings.

STATEMENT OF CORPORATE GOVERNANCE (continued)

Statement from the Audit Committee (continued)

- Health and Safety, two high level recommendations and policies are being updated to meet the recommendations
- Single Central Record, three high level and four medium recommendations, all issues resolved
- Procurement, payment and contract management, two high level and seven medium recommendations, this included retender exercises now in progress
- Business continuity, no recommendations
- Marketing and publicity, no recommendations
- Subcontracting controls, four high level and two medium recommendations
- Work experience placements, eight high level, eleven medium and one low level recommendations (see control weakness note above). The Audit Committee received additional reporting and all issues resolved.
- Learner number system, three high level recommendations
- Staff utilisation, no recommendations

Review of Effectiveness

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

- The work of the internal auditors.
- The work of the College's Risk Management Board.
- The work of the managers within the College who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the College's Financial Statements Auditors and Regularity Accountants in their management letters and other reports.

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

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention 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.

STATEMENT OF CORPORATE GOVERNANCE (continued)

Review of Effectiveness (continued)

At the Audit Committee meeting on 24 November 2021 the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Senior Management Team and Internal Audit and taking account of events since 31 July 2021.

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

Approved by order of the members of the Corporation on 15 December 2021 and signed on its behalf by:

Paul Cox *Jonathan Sendell*

Paul Cox
Accounting Officer

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 the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the ESFA. If any instances are identified after the date of this statement, these will be notified to the ESFA:

- Investigation of subcontractor

Approved by order of the members of the Corporation on 15 December 2021 and signed on its behalf by:

Paul Cox	*Jonathan Sendell*
Paul Cox **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 Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, 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 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 the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 15 December 2021 and signed on its behalf by:

Jonathan Sendell

Jonathan Sendell
Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EASTLEIGH COLLEGE

Opinion

We have audited the financial statements of the Corporation of Eastleigh College (the 'College') for the year ended 31 July 2021 which comprise the consolidated and college statement of comprehensive income and expenditure, the consolidated and college statement of changes in reserves, the consolidated and college balance sheet, the consolidated statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of Eastleigh College

As explained more fully in the Statement of Corporation Responsibilities on page 26, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to 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 College and the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

MHA

MHA MacIntyre Hudson
Chartered Accountants and Registered Auditor
London, United Kingdom

Date 23 *December 2021*

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME & EXPENDITURE

	Note	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
INCOME					
Funding body grants	2	18,163	18,163	20,875	20,875
Tuition fees and education contracts	3	1,650	1,650	1,740	1,740
Other grants and contracts	4	41	41	30	30
Other income	5	83	76	397	389
Investment income	6	-	7	13	21
Total Income		**19,937**	**19,937**	**23,055**	**23,055**
EXPENDITURE					
Staff costs	7	11,239	11,239	11,520	11,520
Restructuring costs	7	178	178	176	176
Other operating expenses	8	8,753	8,753	10,599	10,599
Depreciation	11	1,255	1,255	1,278	1,278
Interest and other finance costs	9	303	303	286	286
Total Expenditure		**21,728**	**21,728**	**23,859**	**23,859**
(Deficit)/Surplus before other gains and losses		**(1,791)**	**(1,791)**	**(804)**	**(804)**
Profit/(loss) on disposal of assets		-	-	-	-
(Deficit)/Surplus before tax		**(1,791)**	**(1,791)**	**(804)**	**(804)**
Taxation	10	-	-	-	-
(Deficit)/Surplus for the year		**(1,791)**	**(1,791)**	**(804)**	**(804)**
Unrealised surplus on revaluation of assets		-	-	-	-
Remeasurement of defined benefit pension liability	17 & 20	3,048	3,048	(8,076)	(8,076)
Total Comprehensive Income for the year		**1,257**	**1,257**	**(8,880)**	**(8,880)**

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 2019	(462)	4,487	4,025
Surplus/(deficit) from the income and expenditure account	(804)	-	(804)
Other comprehensive income	(8,076)	-	(8,076)
Transfers between revaluation and income and expenditure reserves	96	(96)	-
	(8,784)	(96)	(8,880)
Balance at 1 August 2020	(9,246)	4,391	(4,855)
Surplus/(deficit) from the income and expenditure account	(1,791)	-	(1,791)
Other comprehensive income	3,048	-	3,048
Transfers between revaluation and income and expenditure reserves	96	(96)	-
Total comprehensive income for the year	1,353	(96)	1,257
Balance at 31 July 2021	(7,893)	4,295	(3,598)
College			
Balance at 1 August 2019	(462)	4,487	4,025
Surplus/(deficit) from the income and expenditure account	(804)	-	(804)
Other comprehensive income	(8,076)	-	(8,076)
Transfers between revaluation and income and expenditure reserves	96	(96)	-
	(8,784)	(96)	(8,880)
Balance at 1 August 2020	(9,246)	4,391	(4,855)
Surplus/(deficit) from the income and expenditure account	(1,791)	-	(1,791)
Other comprehensive income	3,048	-	3,048
Transfers between revaluation and income and expenditure reserves	96	(96)	-
Total comprehensive income for the year	1,353	(96)	1,257
Balance at 31 July 2021	(7,893)	4,295	(3,598)

CONSOLIDATED AND COLLEGE BALANCE SHEET AS AT 31 JULY 2021

		2021		2020	
		Group	**College**	**As restated Group**	**As restated College**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible assets	11	28,797	28,797	28,709	28,709
Investments	12	-	-	-	-
Total fixed assets		28,797	28,797	28,709	28,709
Current assets					
Trade and other receivables	13	794	802	1,404	1,421
Cash at bank and in hand	19	4,928	4,928	3,778	3,778
Total current assets		5,722	5,730	5,182	5,199
Less: Creditors amounts falling due within one year	14	(9,109)	(9,117)	(6,492)	(6,509)
Net current assets		**(3,387)**	**(3,387)**	**(1,310)**	**(1,310)**
Total assets less current liabilities		**25,410**	**25,410**	**27,399**	**27,399**
Creditors amounts falling due after more than one year	15	(12,361)	(12,361)	(11,827)	(11,827)
Provisions					
Defined benefit obligations	17	(14,994)	(14,994)	(16,906)	(16,906)
Enhanced Pensions	17	(472)	(472)	(509)	(509)
Other provisions	17	(1,181)	(1,181)	(3,012)	(3,012)
Total net assets		**(3,598)**	**(3,598)**	**(4,855)**	**(4,855)**
Unrestricted reserves					
Income and expenditure account		(7,893)	(7,893)	(9,246)	(9,246)
Revaluation reserve	18	4,295	4,295	4,391	4,391
Total unrestricted reserves		**(3,598)**	**(3,598)**	**(4,855)**	**(4,855)**

The Financial Statements on pages 30 to 55 were approved and authorised for issue by the Board on 15 December 2021 and signed on its behalf by:

Paul Cox *Jonathan Sendell*

Paul Cox
Accounting Officer

Jonathan Sendell
Chair of Governors

CONSOLIDATED STATEMENT OF CASH FLOWS

	2021	2020
	£'000	£'000
Cash inflow from operating activities		
Surplus/(deficit) for the year	(1,791)	(804)
Adjustment for non-cash items		
Depreciation	1,255	1,278
(Increase)/decrease in stocks	-	-
(Increase)/decrease in debtors	610	521
Increase/(decrease) in creditors due within one year	2,943	(2,277)
Increase/(decrease) in creditors due after one year	534	(377)
Increase/(decrease) in provisions	(1,868)	2,985
Pensions costs less contributions payable	906	774
Surplus transferred to the College under a deed of covenant	(7)	(8)
Taxation	-	-
Adjustment for investing or financing activities		
Investment income	-	(13)
Interest payable	303	286
Taxation paid	-	-
(Profit)/loss on sale of fixed assets	-	-
Net cash flow from operating activities	**2,885**	**2,365**
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	-
Disposal of non-current asset investments	-	-
Investment income	-	13
Withdrawal of deposits	-	-
New deposits	-	-
Payments made to acquire fixed assets	(1,343)	(545)
	(1,343)	(532)
Cash flow from financing activities		
Interest paid	(73)	(110)
Interest element of finance lease rental payments	-	-
New unsecured loans	-	-
Repayments of amounts borrowed	(319)	(433)
Capital element of finance lease rental payments	-	-
	(392)	(543)
Increase/(decrease) in cash and cash equivalents in the year	**1,150**	**1,290**
Cash and cash equivalents at beginning of the year	3,778	2,488
Cash and cash equivalents at end of the year	4,928	3,778

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction 2020 to 2021 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 2021.

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 £3,547k of loans outstanding with bankers on terms negotiated in 2008 regarding a 20 year repayment loan (and amended in 2021) secured on College assets.

The full loan debt of £3,547k is with Lloyds Bank and is currently based on a single year for the period from 1 April 2021 to 31 March 2022. Lloyds bank continue to be supportive of a long-term relationship with the College, however the loan has been on an annual renewal basis as a consequence of the 2018/19 financial statements and reflects continuing uncertainty for the impact of Covid-19. As at 31 July 2021 the College therefore had a loan contract with an end date of 31 March 2022 and therefore the loan liability is shown in the accounts as fully recoverable within 12 months.

Lloyds Bank have agreed a contract amendment to extend the loan to 30 September 2023 and this includes loan covenants fit for purpose for the life of that loan extension.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Statement of accounting policies and estimation techniques (continued)

The College maintains forward cash-flow projections as required by ESFA, which were submitted ahead of the 31 July 2021 deadline which demonstrate the College can maintain adequate cash levels for the years 2021/22 and 2022/23. A more detailed daily cash-flow is also used to ensure careful treasury management across the full year.

In setting the forward budget for 2021/22 Governors were also presented a report identifying possible sensitivities within the budgets and the potential financial impacts, these were considered as part of the budget making decision and where risk was considered material, the budget figures were revised to reflect this. The projections for apprentice income continue to reflect the realities of COVID-19 on this aspect of the College business. The College completely reviewed its Risk Management processes during 2020/21 and this was internally audited in September 2021 to ensure that it is best placed to continue managing uncertainties and to capture some of the best practice that emerged out of the College response to COVID-19.

The College's forecasts and financial projections have been carefully considered to ensure they reflect a prudent realistic basis for 2021/22 and the current economic challenges. The budget approved by Governors indicate that the College will be able to achieve sufficient levels of financial outcome to maintain an ESFA financial health score of "Requires Improvement" and to operate within the revised facilities and the covenants to be agreed with Lloyds 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.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under-achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Consolidated Statement of Comprehensive Income & Expenditure. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end and the results of any funding audits. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery. 16-18 learner responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS102. Other non-

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

Workplace learning and apprenticeships

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

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 20, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme and contributions are recognised as an expense in the income statement in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Local Government Pension Scheme (LGPS)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Statement of accounting policies and estimation techniques (continued)

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term employment benefits

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

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

Enhanced pensions

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

Tangible fixed assets

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

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

(a) Land and buildings

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

Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the remaining useful economic life of the building.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may be recoverable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Statement of accounting policies and estimation techniques (continued)

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

(b) Assets under construction

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

(c) Subsequent expenditure on existing fixed assets

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

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

(d) Equipment

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

Equipment is depreciated over its useful economic life as follows:

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

A review 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Statement of accounting policies and estimation techniques (continued)

Cash and cash equivalents

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

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

Financial liabilities and equity

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historic cost). FRS102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the Balance Sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions and contingent liabilities

Provisions are recognised when:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Statement of accounting policies and estimation techniques (continued)

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 25, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Prior year adjustment

In the previous accounting period liabilities amounting to £3.012m were included within payments received in advance, accruals and amounts owed to the ESFA within note 14 entitled 'creditors: amounts falling due within one year'. As there was uncertainty over the timing and amounts of these liabilities the amounts should have been included within Provisions. In order to rectify this error, the college has restated the prior year balance sheet. In restating these amounts, the statement of comprehensive income and statement in changes in equity are unaffected.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these Financial Statements, management have made the following judgements:

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2020 has been used by the actuary in valuing the pensions liability at 31 July 2021, with the latest valuation taking account of the impact of the McCloud and Sergeant legal decisions in June 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Funding body grants

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Recurrent grants				
Education & Skills Funding Agency – Adult Education budget	9,799	9,799	11,849	11,849
Education & Skills Funding Agency – 16-18	7,521	7,521	8,305	8,305
Office for Students	-	-	-	-
Specific grants				
COVID testing	69	69	-	-
Teacher Pension Scheme Contribution Grant	376	376	344	344
Releases of government capital grants	398	398	377	377
Total	**18,163**	**18,163**	**20,875**	**20,875**

3 Tuition fees and education contracts

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Adult education fees	634	634	768	768
Apprenticeship contracts	128	128	210	210
Fees for FE loan supported courses	247	247	188	188
Fees for HE loan supported courses	-	-	(8)	(8)
Total tuition fees	**1,009**	**1,009**	**1,158**	**1,158**
Education contracts	641	641	582	582
Total	**1,650**	**1,650**	**1,740**	**1,740**

4 Other grants and contracts

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Other grant income	41	41	30	30
Coronavirus Job Retention Scheme	-	-	-	-
Total	**41**	**41**	**30**	**30**

The College did not opt to furlough staff and therefore no claim was made against the Coronavirus Job Retention Scheme.

5 Other income

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Catering and residences	2	2	10	10
Other income generating activities	14	14	54	54
Miscellaneous income	67	60	333	325
Total	**83**	**76**	**397**	**389**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Investment income

	2021		2020	
	Group £'000	**College £'000**	**Group £'000**	**College £'000**
Interest receivable	-	-	13	13
Surplus generated by the subsidiary undertaking and transferred to the College under a deed of covenant	-	7	-	8
Total	**-**	**7**	**13**	**21**

7 Staff costs – Group and College

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

	2021 No.	2020 No.
Teaching staff	197	216
Non-teaching staff	201	247
Total	398	463

Staff costs for the above persons:

	2021 £'000	2020 £'000
Wages and salaries	7,886	8,282
Social Security costs	654	649
Other pension costs (including FRS102 adjustments of £774,000 (2019: £340,000))	2,533	2,338
Payroll subtotal	**11,073**	**11,269**
Contracted out staffing services	166	251
	11,239	**11,520**
Restructuring costs	178	176
Total staff costs	**11,417**	**11,696**

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. At the start of the financial year this comprised of the Chief Executive (Accounting Officer), Vice Principal Finance, Funding and Management Information, Vice Principal Curriculum, Vice Principal Quality and Vice Principal Commercial. The Senior Management Team currently consists of Chief Executive (Accounting Officer), Deputy Principal, Vice Principal Finance, Funding and Management Information and Vice Principal Quality, Compliance and Improvement. Staff costs include compensation paid to key management personnel for loss of office. The increase in year as tabled below relates to the changes in roles in year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Staff costs – Group and College (continued)

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

	2021 No.	2020 No.
Number of key management personnel including Accounting Officer was:	7	7

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

	Key management personnel		Other staff	
	2021 No	2020 No	2021 No	2020 No
£10,001 - £15,000	1	-	-	-
£25,001 - £30,000	1	-	-	-
£35,001 - £40,000	-	1	-	-
£45,001 - £50,000	1	1	-	-
£55,001 - £60,000	-	1	-	-
£60,001 - £65,000	-	1	-	-
£65,001 - £70,000	1	1	-	1
£70,001 - £75,000	1	-	-	-
£85,001 - £90,000	1	-	-	-
£100,001 - £105,000	-	1	-	-
£124,001 - £125,000	-	1	-	-
£125,001 - £130,000	1	-	-	-
	7	7	-	1

Key management personnel compensation is made up as follows:

	2021 £'000	2020 £'000
Salaries	441	374
Employers National Insurance contributions	55	43
	496	417
Pension contributions	101	59
Total key management personnel compensation	597	476

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:

	2021 £'000	2020 £'000
Salaries	129	124
Benefits in kind	-	-
	129	124
Pension contributions	31	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Staff costs – Group and College (continued)

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

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

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

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

Chief Executive basic salary as a multiple of the median of all staff 4.6

Chief Executive total remuneration as a multiple of the median of all staff 4.7

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

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 £6k (2019/20 £nil) due entirely to their involvement following request from the Further Education Commissioner and the Education Skills Funding Agency (ESFA) for the College to develop an ambitious and sustainable systems-based proposal for post-16 provision in Southampton. This remuneration was authorised by order of the Charity Commission. No costs were incurred by Governors, key management personnel or other higher paid staff during the year in respect of overseas activities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Other operating expenses

	2021		2020	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Teaching costs	6,116	6,116	8,356	8,356
Non-teaching costs	1,479	1,479	1,398	1,398
Premises costs	1,158	1,158	845	845
Total	**8,753**	**8,753**	**10,599**	**10,599**

Other operating expenses include:	**2021**	**2020**
	£'000	**£'000**
Auditors' remuneration:		
- Financial Statements audit	30	28
- Other services provided by the Financial Statements auditors	3	3
- Internal audit	19	9
Hire of plant and machinery – operating leases	37	96
Hire of other assets – operating leases	34	22

9 Interest and other finance costs – Group and College

	2021	**2020**
	£'000	**£'000**
Bank interest on loans due in more than five years	73	110
Pension finance costs (Notes 17 and 20)	230	176
Total	**303**	**286**

10 Taxation – Group and College

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 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 2020	35,443	7,062	-	42,505
Additions	1,083	260		1,343
Transfers	-	-	-	-
Disposals	-	-	-	-
At 31 July 2021	**36,526**	**7,322**	**-**	**43,848**
Depreciation				
At 1 August 2020	7,732	6,064	-	13,796
Charge for year	850	405	-	1,255
Elimination in respect of disposals	-	-	-	-
At 31 July 2021	**8,582**	**6,469**	**-**	**15,051**
Net book value at 31 July 2021	**27,944**	**853**	**-**	**28,797**
Net book value at 31 July 2020	**27,711**	**998**	**-**	**28,709**

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 at transition to FRS102 in 2015.

12 Non-current investments

	College 2021 £	College 2020 £
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)

13 Trade and other receivables

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year:				
Trade receivables	136	136	344	344
Amounts owed by subsidiary company	-	8	-	17
Prepayments and accrued income	470	470	414	414
Amounts owed by the ESFA	188	188	646	646
Total	**794**	**802**	**1,404**	**1,421**

14 Creditors: amounts falling due within one year

	2021		2020	
	Group £'000	College £'000	As restated Group £'000	As restated College £'000
Bank loans	3,547	3,547	3,866	3,866
Payments received in advance	591	591	89	89
Trade payables	188	188	106	106
Amounts owed to subsidiary company	-	8	-	17
Other taxation and social security	163	163	167	167
Accruals	2,638	2,638	1,887	1,887
Deferred income – Government capital grants	452	452	377	377
Amounts owed to the ESFA	1,530	1,530	-	-
Total	**9,109**	**9,117**	**6,492**	**6,509**

Payments received in advance, accruals and amounts owed to the ESFA as at 31 July 2020 have been restated to reclassify balances totalling £3.012m which represented provisions; see Note 17 below.

15 Creditors: amounts falling due after one year

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans	-	-	-	-
Deferred income – Government capital grants	12,361	12,361	11,827	11,827
Total	**12,361**	**12,361**	**11,827**	**11,827**

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Maturity of debt

a) Bank loans and overdrafts
Bank loans and overdrafts are repayable as follows:

	2021		2020	
	Group £'000	College £'000	Group £'000	College £'000
In one year or less	3,547	3,547	3,866	3,866
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
Total	**3,547**	**3,547**	**3,866**	**3,866**

All bank loans are showing as payable within one year as the loan agreement is currently being extended with Lloyds bank annually each year as at 31 March. Therefore, as at 31 July 2021, the College held a loan contract until 31 March 2022 and consequently all loans are reported as repayable within 12 months. A contract amendment has been agreed to extend these loans to 30 September 2023 and discussions with the bank continue on a longer-term basis.

The loan is made up of two parts both on identical contracts other than the termed out dates with the older loan running to 31 December 2027 and the second loan from 2017 termed out in May 2037. The Lloyds Bank loans are secured on the main site at Chestnut Avenue and car park at Desborough Road.

17 Provisions

	Group and College			
	Defined benefit obligations £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2020 (As restated)	16,906	509	3,012	20,427
Expenditure in the period	(834)	(37)	0	(871)
Provision released in the period	-	-	(1,938)	(1,938)
Additional provisions	-	-	1,181	1,181
Amounts transferred to amounts due to ESFA	-	-	(1,074)	(1,074)
Interest cost	230	-	-	230
Staff cost	1,740	-	-	1,740
Actuarial gain over year recognised in Statement of Comprehensive Income	(3,048)	-	-	(3,048)
As at 31 July 2021	**14,994**	**472**	**1,181**	**16,647**

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

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

The principal assumptions for this calculation are:

	2021 %	2020 %
Price inflation	2.60	2.20
Discount rate	1.70	1.30

NOTES TO THE FINANCIAL STATEMENTS (continued)

Balances totalling £3.012m as at 31 July 2020 and previously recognised as creditors have been reclassified as Other provisions at 31 July 2020, due to uncertainty surrounding the amounts and timing of payments, leading to a restatement of the prior year accounts, increasing provisions by £3.012m and decreasing creditors by the same amount, with no impact on reserves.

Of the £3.012m, £1.074m related to a provision for a repayment of ESFA AEB funding. This provision of £1.074m was transferred to creditors during the year on crystallisation of liabilities.

The balance of the provision of £1.938m as at 31 July 2020 reflected a liability in respect to funding during Covid-19 and was released in the year.

Further provisions totalling £1.181m were made during the year to 31 July 2021 relating to specific liabilities where the amounts are uncertain and the future payment dates are unknown, though there is a realistic expectation of a liability crystallising and payment being made within 2021/22 accounting year.

The college has taken account of Section 12.14 FRS 102 in making these disclosures.

18 Revaluation reserve

	Group and College	
	2021	**2020**
	£'000	**£'000**
At 1 August 2020	4,391	4,487
Depreciation on revalued assets	(96)	(96)
At 31 July 2021	**4,295**	**4,391**

19 Cash and cash equivalents

	At 01.08.20	Cash flows	Other charges	At 31.07.21
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalent	3,778	1,150	-	4,028
Overdrafts	-	-	-	-
Total	**3,778**	**1,150**	**-**	**4,928**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Defined benefit obligations

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

Total pension cost for the year

		2021 £'000		2020 £'000
Teachers' Pensions Scheme: contributions paid		903		880
Local Government Pension Scheme:				
Contributions paid	830		861	
Early retirement contributions paid included in redundancy costs	80		46	
FRS102 (28) charge	906		774	
Charge in Statement of Comprehensive income		1,816		1,681
Total pension cost for the year within staff costs		2,719		2,561

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

Contributions amounting to £166k (2020: £167k) were payable to the scheme at 31 July 2021 and are included within creditors.

Teachers' Pension Scheme

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Defined benefit obligations (continued)

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has continued to pay a teacher pension employer contribution grant to cover the additional costs during the 2020/21 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 £1,241k (2020: £1,218k).

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 2021 was £1,030k of which employer's contributions totalled £830k and employees' contributions totalled £200k. The agreed contribution rates for future years are 22.6% for employer and between 5.5% and 12.5% for employees.

Principal actuarial assumptions

The following information is based upon a full actuarial of the fund at 31 March 2020 updated to 31 July 2021 by a qualified independent actuary.

	At 31 July 2021	**At 31 July 2020**
Rate of increase in salaries	3.6%	3.2%
Future pensions increase	2.6%	2.2%
Discount rate for scheme liabilities	1.7%	1.4%
Inflation assumption (CPI)	2.6%	2.2%
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 2021	**At 31 July 2020**
Retiring today		
Males	23.1	23.0
Females	25.5	25.5
Retiring in 20 years		
Males	24.8	24.7
Females	27.3	27.2

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Defined benefit obligations (continued)

Sensitivity analysis

	At 31 July 2021 £'000	At 31 July 2020 £'000
Discount rate +0.1%	38,574	38,257
Discount rate -0.1%	40.430	36,609
Mortality assumption – 1 year increase	38,061	36,085
Mortality assumption – 1 year decrease	40,943	38,818

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

	Fair value at 31 July 2021 £'000	Fair value at 31 July 2020 £'000
Equities	14,224	11,335
Government Bonds	4,201	4,287
Corporate Bonds	-	-
Property	1,523	1,257
Cash	246	330
Other	4,373	3,401
Total fair value of plan assets	24,567	20,610
Actual return on plan assets	3,680	451

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

	2021 £'000	2020 £'000
Fair value of plan assets	24,567	20,610
Present value of plan liabilities	(38,482)	(37,433)
Present value of unfunded liabilities	(79)	(83)
Net pensions liability (Note 17)	**(14,994)**	**(16,906)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Defined benefit obligations (continued)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	1,740	1,499
Past service cost	-	241
Total	**1,740**	**1,740**
Amounts included in interest and other finance costs		
Pension finance costs	230	176
Total	**230**	**176**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	3,389	12
Experience losses arising on defined benefit obligations	(341)	(7,988)
Changes in assumptions underlying the present value of plan liabilities	-	-
Amount recognised in Other Comprehensive Income	**3,048**	**(7,976)**

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

	2021 £'000	2020 £'000
Net defined benefit (liability)/assets in scheme at 1 August	(16,906)	(7,990)
Movement in year:		
Current service cost	(1,740)	(1,499)
Employer contributions	834	966
Past service cost	-	(241)
Net interest on the defined (liability)/asset	(230)	(166)
Actuarial gain or loss	3,048	(7,976)
Net defined benefit liability at 31 July	**(14,994)**	**(16,906)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Defined benefit obligations (continued)

Assets and liability reconciliation

	2021 £'000	2020 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at the start of the period	37,516	27,740
Current service cost	1,740	1,499
Interest cost	521	605
Contributions by Scheme participants	200	230
Experience gains and losses on defined benefit obligations	341	7,988
Changes in financial assumptions	-	-
Estimated benefits paid	(757)	(787)
Past service cost	-	241
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**39,561**	**37,516**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	20,610	19,750
Interest on plan assets	291	439
Return on plan assets	3,389	12
Employer contributions	834	966
Contributions by Scheme participants	200	230
Estimated benefits paid	(757)	(787)
Fair value of plan asset at end of period	**24,567**	**20,610**

21 Events after the reporting period

There are no post balance sheet events.

22 Capital and other commitments

There are no capital or other commitments as at 31 July 2021 or 31 July 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 Lease obligations

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

	Group and College	
	2021	2020
	£'000	£'000
Other		
Not later than one year	71	96
Later than one year and not later than five years	31	70
Later than five years	-	-
	102	166

24 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 £6,385 to two governors (2020: £474, three governors). This included £6,300 of payments to a Governor for a specific project as agreed with Charities Commission. The balance represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Key management personnel disclosure is given in Note 7.

Transactions with the ESFA are detailed in Note 2.

25 Amounts disbursed as agent

Learner Support Funds

	2021	2020
	£'000	£'000
16 – 18 bursary grants	166	122
Other funding body grants	-	-
	166	**122**
Disbursed to learners	(173)	(193)
Administration costs	(6)	(8)
Balance unspent as at 31 July included in creditors	**(13)**	**(79)**

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

Eastleigh College Reporting Accountant's Assurance Report on Regularity

To: The Corporation of Eastleigh College and Secretary of State for Education acting through the Education and Skills Funding Agency ("the ESFA")

In accordance with the terms of our engagement letter dated 18 May 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by the Corporation of Eastleigh College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of Eastleigh College and 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 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 ESFA for our work, for this report, or for the conclusion we have formed.

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.
The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

Reporting accountant's assurance report on regularity (continued)

The work undertaken to draw to our conclusion includes:

- An assessment of material irregularity and impropriety across all of the College's activities;
- Further testing and review of self-assessment questionnaire including inquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

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

MHA

MHA MacIntyre Hudson
Chartered Accountants and Registered Auditor
London, United Kingdom

Date: 23 *December 2021*