

Havant Sixth Form College Financial Statements 2016-2017



HAVANT SIXTH FORM COLLEGE

Report and Financial Statements

for the year ended 31 July 2017

Havant Sixth Form College Financial Statements 2016-2017

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Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

Key management personnel are defined as members of the Senior Leadership Team and were represented by the following in 2016/17:

Mike Gaston – Interim Principal and CEO; Accounting Officer (effective 1 Aug 2016)

Suki Dhesi - Deputy Principal – (maternity leave from April 2017)

Sylvia Wear - Assistant Principal

Carolyn Galmoye Webster - Assistant Principal

Kelvin Smith - Director of Finance and Corporate Services

David Turner - IT Services Manager

John Illsley - MIS Manager (resigned December 2016)

Board of Governors

A full list of Governors is given on page 17 of these financial statements.

Ms B Billings acted as Clerk to the Corporation throughout the period and resigned her post, leaving on 31 July 2017.

Professional Advisers

Financial statement and regularity auditors:

RSM UK Audit LLP
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Bankers:

Barclays Bank
PO Box 6
Portsmouth
Hampshire
PO6 3DH

Solicitors:

Coffin Mew LLP
Bay House
Compass Road
North Harbour Business Park
Portsmouth
Hampshire
PO6 4RS

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Havant Sixth Form College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as Havant Sixth Form College.

The College dissolved as a legal entity on 1 August 2017 and on this day transferred all assets and liabilities to Havant and South Downs College.

Mission

Our mission is to become an outstanding Sixth Form College by 2018 and a specialist centre of teaching and learning.

Our Core Values

Our core values express what the College stands for and how we go about our business. The College's three core values have been developed with our staff and students. They are:

- ASPIRE – individuals show ambition in maximising their potential
- ACHIEVE – individuals are encouraged to succeed in fulfilling their potential
- ENJOY – individuals should develop and enjoy their time at the College

Public Benefit

Havant Sixth Form College is an exempt charity under the 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 17 onwards.

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 public benefit.

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Strategic Priorities 2015 – 2017

With the progression towards merger with South Downs College following the government post-16 education and training area review, over the period 2015-2017, the following were the strategic priorities of the College up to dissolution date, 1 August 2017. The priorities will largely continue after merger when Havant College is part of the new College, Havant and South Downs College.

Strategic Priority 1 – To achieve the Ofsted status of ‘Outstanding’ College

Strategic Priority 2 – To develop a learner focused curriculum offer with digital learning aspects

Strategic Priority 3 – To offer strong student support systems

Strategic Priority 4 – To establish the College as a key partner for feeder schools

Strategic Priority 5 – To develop an attractive, safe learning environment

Strategic Priority 6 – To drive efficiency and effectiveness in resource use

Strategic Priority 7 – To continually invest in staff training and development

Implementation of strategic plan

In October 2015 the College adopted a strategic plan for the period 1 September 2015 to 31 July 2018 which drives forward the strategic priorities. The Corporation monitors the performance of the College against these priorities. These are reviewed and updated each year. The College’s continuing strategic objectives are to;

- achieve a target student body of no less than 1,150 funded learners each academic year
- achieve and grow the 19+ Adult Education curriculum offer in response to community needs and local priorities
- generate learner outcomes at or above the SFC benchmark with ‘excellent’ value added scores at AS and at A2 by 2017
- continue the journey towards Ofsted status of ‘outstanding’
- progress on the recommendation from government post-16 education and training area reviews, towards merger with South Downs College by 1 August 2017
- maintain the financial viability of the College by way of securing ‘satisfactory’ financial health by 2017

The College specific objectives for 2016/17 and achievement of those objectives is addressed below.

- the College achieved 936 funded learners against a funding body allocation of 1,136
- the College under delivered against the its ESFA 16-19 funding allocation, being 936 learners versus a 1,136 lagged allocation. 19+ (Adult) Classroom Education achieved 94% of allocation with 19+ (Adult) Apprenticeships at 73%. The shortfall constitutes an AEB financial clawback.

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- during the year the College continued to embed Google Education (digital learning) methods into classroom teaching as part of a digital learning strategy
- 2016/17 was the first sitting for some subjects under new linear A level specifications. The A level pass rate was 97.5% with 39.9% achieving the highest A*-B grades. This was a decrease year-on-year and was below the Sixth Form College benchmark. The value added (Alps) score at A level also dropped to Good/Average.
- For Level 2 GCSE Maths and English, which is now a requirement to study if a 16 year old enters the College with less than a Grade C, the pass rate was 53.8% and 61.9% respectively. This reports an upwards trend in achievement rates year-on-year.
- The financial surplus for the year at £181k (15/16 £753k) is the third consecutive year of surplus and technically gave the College a financial health status of 'Good'. This is the final year of the 'FNTI' Intervention the College has been under since May 2014.

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Financial objectives

The College's financial objectives are:

- to deliver a modest operating surplus each year to maintain financial health
- to generate positive cash balances to service working capital requirements
- to diversify incomes where possible and in development of curriculum offer
- to pursue strong treasury management and relationships with Bank
- to sustain student numbers at 1,150 or more funded learners to sustain financial viability
- to apply for capital funding rounds to finance small scale campus improvements

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance indicators

The College uses several key performance indicators to measure its performance:

- Achievement (formerly success) rates at or above Sixth Form benchmarks
- Progression of learners to HE (including Russell Group Universities) and employment
- Engagement and responsiveness to the 'Learner Voice'
- To develop staff through internal development opportunities and CPD

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The College is assessed by the ESFA as having 'Good' financial health for the 2016/17 and given merger this is considered an acceptable score.

FINANCIAL POSITION

Financial results

The College generated an operating surplus for the year of £181,000 (2015/16 surplus of £753,000). This consolidated three consecutive years of surplus and was marginally below the annual budget approved by Corporation. Throughout the year the College has worked with the ESFA in monitoring the financial recovery plans and enjoyed strong support from the Bank in supporting the liquidity needs of the College, where no overdraft facility was used in year.

The College saw a decline in its main 16-19 ESFA lagged funding of £558,000 versus 2015/16. Before depreciation the operating base of staff and non pay costs fell £160,000 year-on-year. The College has continued to drive efficiencies in staffing costs with a reduction of £109,000 before restructuring costs to yield a staff to income ratio of 67% before deferred capital grant incomes.

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Non pay operating costs fell by £32,000 but this was after incurring around £120,000 in merger related expenditure. Interest costs fell £17,000 in year from no overdraft use and servicing of only the Business Block loan.

In progressing the path to merger the College continued to incur significant merger costs of around £120,000 in year. The College received a £50,000 grant from the Transitional Unit to part fund costs of merger around matters of legal and financial due diligence alongside more general merger related expenditures.

In year the College still carried a Financial Notice to Improve from May 2014. Removal of this 'Notice' was subject to the achievement of improving from 'Inadequate' to 'Satisfactory' financial health as measured by audited Financial Statements for year to 31 July 2016, submitted by December 2016. Although the 2015/16 health score was recognised as 'Good' the ESFA did not lift the 'Notice'. This was due to at that time to on-going merger uncertainties and a further decline in learner numbers from September's 2016 intake. The 'FNTI' remains in place with the College up to the date of dissolution of 31 July 2017, whereupon on merger it expires.

Tangible fixed asset additions during the year amounted to £197,000. Of these £32,000 were financed from ESFA Devolved Capital Grants and comprised student furnishings of chairs and tables. The remaining £165,000 was for Fire Door refurbishments in two original building blocks of 1960s condition by ACE SOUTHERN, which commenced Summer 2017 and completed end of August 2017.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 93% (2015/16 91%) of the College's total income.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College covers treasury management within its financial regulations. With operational cash only the College relies on current year funding streams and spot use of a formal overdraft facility. The relationship with the Bank is positive and supportive.

Short term borrowing for temporary revenue purposes is arranged with the Bank and managed and authorised by the Accounting Officer, Finance Director and reported to Corporation. Such arrangements are restricted by limits in the College's Funding Agreement agreed with ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Funding Agreement

Cash flows and liquidity

At £159,000 (2015/16 £717,000 inflow) operating cash inflows in year were positive.

The College did not utilise in year the overdraft facility which was indicative of the continued financial recovery plan. The College banks with Barclays and has a positive, supportive relationship enabling the College to secure appropriate levels of short term bridge funding when needed.

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Barclays has been aware of the longer term merger strategy of the College and had not formally asked for its own due diligence.

The College has a medium term loan with Barclays relating to the new Business Block that was finished in May 2013. Throughout the year the College has met all scheduled loan repayments obligation on time and in full. The loan liability became immediately repayable on 31 July 2017 due to the dissolution of Havant College as on 1 August 2017.

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 2015 to 31 July 2016, the College paid 99% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

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CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the College delivered 16-18 classroom activity that has produced £4,652,683 in EFA funding body main allocation funding (2014/15 – £5,485,942). The College had 936 fully funded full time equivalent 16-18 year old learners.

Student achievements

In 2016/17 students' success in exam results were reasonably strong but down on previous year's results partly due to the rigours of the new A level linear exam sittings. GSCSE English and Maths results were improved on prior year achievement.

Curriculum developments

The College curriculum offer remained consistent to previous years with no new courses running. The College continued delivering towards the new linear A level assessments in 13 key subjects from September 2015. The College has continued to develop its Adult Learning offer and maintained its delivery and funding position year-on-year. Apprenticeship growth of 16-18 and 19+ is a key target area in line with the national policy agenda though the College only delivers on a small scale due to its curriculum offer.

The College continued deploying and refining its digital classroom learning by using Google Apps for Education and from 2016/17 this is furthered embedded with the launch of a student Google Chromebook purchase scheme. This is all part of a digital learning strategy of the College and part of its response to the FELTAG agenda.

80% of students progressed on to University, 23% of whom entered Russell Group Universities. A number of students successfully gained entry to Oxford and Cambridge Universities in line with previous years.

Post-balance sheet events

There are no adjusting post balance sheet events given the dissolution as on 1 August 2017.

Future Developments

The College ceased to exist as an independent legal entity from 1 August 2017.

In 2015/16 the government launched the post-16 education and training area based reviews. The College was in the first wave of Solent LEP area reviews and the recommendation was the College should seek to merge with another educational provider. The College also investigated an alternative option to merger of Academisation. Having considered this, it was clear the benefits were not sufficient enough to protect the longer term future of the College.

Throughout 2016/17 the College has continued on the path to merger with a nearby GFE College, South Downs College. An Advisory Board had been set up comprising members from both College Corporations and all legal, financial, public and governance aspects as pre-requisites of merger were finalised and passed.

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The main journey of events in the year leading up to merger as on 1 August 2017 are presented as follows;

Summer/Autumn 2016:

1. Full legal and financial due diligence exercise undertaken with an Equality Impact Assessment.
2. Consideration given to the new College name. As this was a type B merger an application to the Secretary of State was made, following required consultation to change the name of the continuing College to Havant and South Downs College (HSDC).

Spring 2017:

3. Following consideration of the outcomes of due diligence, Havant Board passed a resolution to merge with South Downs College under a type B merger, subject to the outcomes of the statutory consultation on dissolution of Havant. The resolution had the effect of triggering the dissolution process for Havant College.
4. Havant College statutory consultation on dissolution ends with no negative responses.

Summer 2017:

5. Havant College Corporation passes resolution to merge with the Corporation of South Downs College with effect from 1 August 2017, with the Havant College Corporation dissolving at one minute past midnight on 1 August 2017 and its assets and liabilities transferring immediately before that time to South Downs College.

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RESOURCES:

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

Tangible resources include the main college site being a mixture of newer builds (Business Block 2013, Sports Block 2000) and older original blocks dating from the site as a former Grammar School. The College has invested in a targeted modernisation of its original older builds to improve their quality, safety and operational efficiency.

Financial

The College has £2,115,000 of net assets (after the £3,160,000 LGPS pension liability).

People

The College employs 105 people (expressed as full time equivalents), of whom 55 are teaching staff. All Support staff exist on the College payroll and there are no outsourcing arrangements in place.

Reputation

The College has a good reputation locally and regionally. Maintaining a quality brand is essential for the College's success at attracting and retaining students and promoting external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Given the College dissolved as a legal entity as on 31 July 2017, from 1 August 2017 the principle risks and uncertainties described below will not apply anymore to Havant College as an entity but do represent risks and uncertainties applicable to the new merged College of which the former Havant College is now a part of.

Based on the strategic plan, the Risk Management Committee with the Senior Leadership Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Committee will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed termly by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

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1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2016/17, 93% of the College's revenue was public funded and this level is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Apprenticeship funding reforms and the Apprenticeship Levy from May 2017
- The movement of aged 16-19 learners into Apprenticeships away from traditional 16-19 Study Programmes
- The local population of 16-18 year olds declining from a local and national demographic dip not expected to rise until 2022 in Hampshire.
- A continued move to advancing loans for 19-23 and 24+ learners as part of Government funding policy reviews
- The impact from BREXIT and the sustained increase in inflation reducing the real value of government funding

The risks cannot be wholly mitigated but partial measures include:

- The College financially modelling worst case funding scenarios to anticipate the impact of changes in government funding policy and rising inflation
- The College proactively engaging in collaboration options and pursuing the merger recommendation
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the funding bodies and Solent LEP
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding such as Apprenticeships

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2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Havant Sixth Form College will seek to increase tuition fees in accordance with the fee assumptions but largely its learners receive full fee remission on study programmes

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change

3. Maintain adequate funding of pension liabilities.

The financial statements report the share of the Local Government Pension Scheme (LGPS) deficit on the College balance sheet in line with the requirements of FRS 102. In the March 2016 Triennial Valuation exercise the College was placed into the High Risk category for pension obligations and in the future will see a continued increase in contributions to the scheme as part scheme administrators nineteen year Recovery Plan. This appears to be prevalent across the FE Sector.

4. Local competitive environment

The College operates in a very competitive environment with many alternative local providers offering substantial choice to the learners within the catchment area. With a shrinking demographic this puts continued pressure on the College to recruit and to maximise funding allocations to protect and maintain its longer term financial viability.

5. Merger impact

The College in year has concluded the journey of merger with South Downs GFE College. This has and will continue post merge from 1 August 2017 to be a challenge in time, resource and change particularly for staff and key management personnel. These matters heighten the general risk climate of both Colleges to the merger.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Feeder schools;
- Sixth Form/FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;

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- Government Offices;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through liaison and networking opportunities.

Equal opportunities

Havant Sixth Form College is committed to ensuring equality of opportunity for all who learn and work here. We respect, value and promote differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will proactively challenge discrimination whilst promoting diversity. This policy is resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

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

- a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09. The College continues to risk assess and modify access arrangements where necessary and takes the opportunity to apply for capital funding where improvements to access arrangements involve significant campus adjustments.

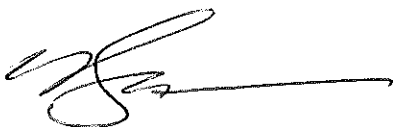
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- b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist lecturers and assistants to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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 auditor is unaware; and each member of staff 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 18 December 2017 and signed on its behalf by:



Dr M Bateman
Chair of Havant and South Downs College

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Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The statement of Corporate Governance and Internal Control along with the Financial Statements are to be signed by the Chair and Accounting Officer of Havant and South Downs College. This reflects the fact that Havant College dissolved as a legal entity on 1 August 2017 and all previous governor appointments ceased at this date.

The College endeavours to conduct its business:

- i. in accordance with seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- ii. having due regard to the UK Corporate Governance 2016 ("the code") insofar as it is applicable to the further educational sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. We have not adopted and therefore do not apply the Association of Colleges Code of Good Governance for English Colleges ("the Code"). However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

The members who served on the Corporation up to the date of dissolution for the year ending July 2016/17 were as listed in the table below. Given College dissolution on 1 August 2017 all appointments ceased at this point in time.

| Governors serving on the College Board during 2016/17 | | | | | | |
|---|---------------------|----------------|--|-----------------------|---|--|
| | Date of appointment | Term of office | End of Term of office/ Date of Resignation | Status of appointment | Committees served | Percentage attendance at Corporation meetings in 2015/16 |
| Ms J Andrews | 1 June 2016 | 2 years | | Staff Member | Search | 83% |
| Ms S Bartlett | 1 Jan 2016 | 2 years | Resigned from the College 31 July 2017 | Staff Member | Remuneration & Employment Policy Quality & Standards | 50% |

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| Governors serving on the College Board during 2016/17 | | | | | | |
|---|---|----------------|---|---|--|--|
| | Date of appointment | Term of office | End of Term of office/ Date of Resignation | Status of appointment | Committees served | Percentage attendance at Corporation meetings in 2015/16 |
| Dr M Bateman | First appointed 1 Feb 2008 Re-appointed 1 Feb 2012 | 4 years | Normal term of office suspended whilst Chair | Ordinary Member and Chair of Corporation | Remuneration & Employment Policy Search Strategic Planning | 100% |
| Dr S Claridge | 1 Aug 2005 | 4 years | Normal term of office was suspended whilst Vice Chair and Chair (1 Sep 2006 to 31 Aug 2013). Again, currently suspended as Vice Chair | Ordinary Member and Vice Chair of the Corporation | Finance & General Purposes Chair Remuneration & Employment Policy Strategic Planning | 100% |
| Ms L Clarke | 1 Jan 2014 | 4 years | | Ordinary Member | Remuneration & Employment Policy | 33% |
| Mr M Cripps | 1 Nov 2014 | 4 years | | Ordinary Member | Chair Finance & General Purposes Strategic Planning | 83% |
| Ms J Druce | 1 Jan 2017 | 2 years | | Student Member | | 0% |
| Mr P Edwards | 1 Jan 2016 | 2 years | | Parent Member | Audit Quality & Standards | 100% |
| Mr M Fairhurst | First appointed 1 Jan 2008 Re-appointed 1 Jan 2012 and 1 Jan 2017 | 4 years | | Ordinary Member | Quality & Standards Chair Search Strategic Planning | 100% |
| Ms L Flannery | 1 Jan 2016 | 4 years | | Ordinary Member | Chair Quality & Standards Search | 100% |

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| Governors serving on the College Board during 2016/17 | | | | | | |
|---|--|----------------|---|-----------------------|---|--|
| | Date of appointment | Term of office | End of Term of office/ Date of Resignation | Status of appointment | Committees served | Percentage attendance at Corporation meetings in 2015/16 |
| Ms C Galmoye-Webster | First appointed 1 Jan 2014 Re-appointed 1 Feb 2016 | 2 years | Resigned from Corporation 31 Dec 2016 | Staff Member | Remuneration & Employment Policy Quality & Standards | 0% |
| Mr M Gaston | 1 Aug 2016 | Indefinite | | Interim Principal | Finance & General Purposes Quality & Standards Search Strategic Planning | 100% |
| Mr M Goss | 1 Jan 2017 | 2 years | | Student Member | | 0% |
| Ms S Garland | First appointed 1 Apr 2012 Re-appointed 1 Apr 2016 | 4 years | | Ordinary Member | Quality & Standards Remuneration & Employment Policy | 83% |
| Superintendent A Heydari | 1 Aug 2013 | 4 years | | Ordinary Member | Remuneration & Employment Policy | 50% |
| Mr P Hopkins | First appointed 1 Aug 2006 Re-appointed 1 Aug 2010 and 1 Aug 2014 | 4 years | | Ordinary Member | Finance & General Purposes Strategic Planning | 50% |
| Ms S Hopkins | 1 Aug 2002 Re-appointed 1 Aug 2005 | 4 years | Normal term of office suspended whilst Vice Chair and Chair | Ordinary Member | Remuneration & Employment Policy Strategic Planning | 17% |
| Mr G Medlow | 1 Nov 2012 Re-appointed 1 Nov 2016 | 4 years | | Ordinary Member | Finance & General Purposes Chair Strategic Planning | 100% |

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| Governors serving on the College Board during 2016/17 | | | | | | |
|--|--|----------------|--|-----------------------|---|--|
| | Date of appointment | Term of office | End of Term of office/ Date of Resignation | Status of appointment | Committees served | Percentage attendance at Corporation meetings in 2015/16 |
| Ms H Oliver | First appointed 1 Nov 2006 Re-appointed 1 Nov 2010 and 1 Nov 2014 | 4 years | | Ordinary Member | Chair Audit Committee Strategic Planning | 50% |
| Mr P Vince | 1 Nov 2012 Re-appointed 1 Nov 2016 | 4 years | | Ordinary Member | Audit | 50% |
| Ms B Billings acted as Clerk to the Corporation and resigned, leaving the College on 31 July 2017. | | | | | | |

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes; Audit, Remuneration and Employment Policy; Search; Quality and Standards and Strategic Planning. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Havant and South Down College
College Road
Waterlooville
Hampshire
PO7 8AA

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

All governors 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 Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration Committee

Throughout the year ending 31 July 2017 the College's Remuneration and Employment Committee comprised five members of the Corporation. One of the Committee's responsibilities is to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2017 are set out in Note 6 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity 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 is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation 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 Corporation.

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Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between Havant Sixth Form College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is 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 in Havant Sixth Form College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance

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- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

The College has not appointed an internal audit service for the year ended 31st July 2017. For the year, the College management and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified.

The College analysed the risks to which it was exposed and a programme of assurance was agreed with the Audit Committee. The Committee was provided updates on assurance activity and given the work taking place for merger preparation and the significant governance and control works performed under the 'FMCG' over the last two years this has been deemed to provide a risk and control framework

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Review of effectiveness

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

- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer 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 risk committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior leadership 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 leadership team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2016 meeting, the Corporation reviewed the College's Annual Self-Assessment Report for the year ended 31 July 2016.

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

Going concern

The College dissolved as a legal entity on 1 August 2017. The accounts are therefore prepared on a non-going concern basis as the College ceased to legally exist from 1 August 2017.

In the 2016/17 the College continued progression to merger, successfully concluding the activities regarding public consultations, legal and the passing of final dissolution resolution by Corporation. This process started in 2015/16 when the College was selected in the first round of government post-16 education and training area reviews. During the 2016/17 the College continued to participate in the formalities of this process and the recommendation of merger with a local General Further Education College - South Downs College.

Havant Sixth Form College Financial Statements 2016-2017

Approved by order of the members of the Corporation on 18 December 2017 and signed on its behalf by:

Signed



Dr M Bateman
Chair of Havant and South Downs College

Signed



Mr M Gaston
Accounting Officer

Havant Sixth Form College Financial Statements 2016-2017

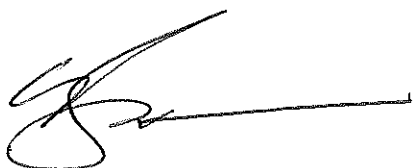
Governing Body's Statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.

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

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 Funding Agreement.

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

Signed



Dr M Bateman
Chair of Havant and South Downs College

Signed



Mr M Gaston
Accounting Officer

Havant Sixth Form College Financial Statements 2016-2017

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2016 to 2017* issued by the Education and Skills Funding Agency, which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statement, 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 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 also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the

Havant Sixth Form College Financial Statements 2016-2017

College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Education and Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 18 December 2017 and signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'M' followed by a horizontal line.

Dr M Bateman
Chair of Havant and South Downs College

Havant Sixth Form College Financial Statements 2016-2017

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HAVANT AND SOUTH DOWNS COLLEGE IN RESPECT OF HAVANT SIXTH FORM COLLEGE

Opinion

We have audited the financial statements of Havant Sixth Form College (the 'Dissolved College') for the year ended 31 July 2017 which comprise the college statement of comprehensive income, the college balance sheet, college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as set out in our engagement letter dated 6 October 2017.

In our opinion the financial statements:

- give a true and fair view of the state of the Dissolved College's affairs as at 31 July 2017 and of the Dissolved College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Emphasis of Matter – non going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements. As described in note 1, the College governors pursued a merger that resulted in the transfer of Havant Sixth Form College's trade, assets and liabilities to another entity and the dissolution of Havant Sixth Form College. The merger formally occurred on the 1st August 2017, and for this reason the accounts have been drawn up on a basis other than that of going concern.

No material adjustments arose as a result of ceasing to apply the going concern basis.

Other information

The governors are responsible for the other information. The other information comprises the information included in the Strategic Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover

Havant Sixth Form College Financial Statements 2016-2017

the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you in respect of Havant Sixth Form College if, in our opinion:

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

Responsibilities of the Corporation of Havant and South Downs College in respect of Havant Sixth Form College

As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 27 to 28, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Dissolved College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Dissolved 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.

Havant Sixth Form College Financial Statements 2016-2017

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

This report is made solely to the Corporation of Havant and South Downs College in respect of Havant Sixth Form College, as a body, in accordance with the Funding Agreement published by the Education Funding Agency and our engagement letter dated 6 October 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 6 October 2017 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

18/12/17

Havant Sixth Form College Financial Statements 2016-2017

Statement of Comprehensive Income


| | Notes | 2017 £'000 | 2016 £'000 |
|--|-------|---------------|---------------|
| INCOME | | | |
| Funding body grants | 3 | 5,793 | 6,353 |
| Tuition fees and education contracts | 4 | 108 | 213 |
| Other income | 5 | 326 | 408 |
| Total income | | 6,227 | 6,974 |
| EXPENDITURE | | | |
| Staff costs | 6 | 3,848 | 3,949 |
| Other operating expenses | 7 | 1,597 | 1,630 |
| Depreciation | 10 | 505 | 519 |
| Interest and other finance costs | 8 | 96 | 123 |
| Total expenditure | | 6,046 | 6,221 |
| Taxation | 9 | - | - |
| Surplus for the year | | 181 | 753 |
| Other comprehensive income for the year: | | | |
| Remeasurement of net defined benefit pension liability | | 790 | (1,000) |
| Total Comprehensive Income for the year | | 971 | (247) |


Havant Sixth Form College Financial Statements 2016-2017

Balance Sheet as at 31 July

| | Notes | 2017 £'000 | 2016 £'000 |
|---|-------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 10 | 8,454 | 8,762 |
| Total fixed assets | | 8,454 | 8,762 |
| Current assets | | | |
| Debtors | 11 | 48 | 66 |
| Cash at bank and in hand | | 494 | 335 |
| Total current assets | | 542 | 401 |
| Less: Creditors – amounts falling due within one year | 12 | (1,264) | (1,059) |
| Net current liabilities | | (722) | (658) |
| Total assets less current liabilities | | 7,732 | 8,104 |
| Less: Creditors – amounts falling due after more than one year | 13 | (2,457) | (3,170) |
| Provisions | | | |
| Defined benefit pension schemes | 20 | (3,160) | (3,790) |
| Total net assets | | 2,115 | 1,144 |
| Unrestricted Reserves | | | |
| Income and expenditure account | | (221) | (1,250) |
| Revaluation reserve | | 2,336 | 2,394 |
| Total reserves | | 2,115 | 1,144 |

The financial statements on pages 32 to 56 were approved by the Corporation on 18 December 2017 and were signed on its behalf on that date by:


 Dr M Bateman
 Chair Havant and South Downs College


 Mr M Gaston
 Accounting Officer

Havant Sixth Form College Financial Statements 2016-2017

Statement of Changes in Reserves

| | Income and expenditure account | Revaluation reserve | Total |
|---|--------------------------------------|------------------------|----------------|
| | £'000 | £'000 | £'000 |
| Balance at 31st July 2015 | (1,061) | 2,452 | 1,391 |
| Surplus from the income and expenditure account | 753 | - | 753 |
| Other comprehensive income | (1,000) | - | (1,000) |
| Transfers between revaluation and income and expenditure reserves | 58 | (58) | - |
| Total comprehensive income for the year | (189) | (58) | (247) |
| Balance at 31st July 2016 | (1,250) | 2,394 | 1,144 |
| Surplus from the income and expenditure account | 181 | - | 181 |
| Other comprehensive income | 790 | - | 790 |
| Transfers between revaluation and income and expenditure reserves | 58 | (58) | - |
| Total comprehensive income for the year | 1,029 | (58) | 971 |
| Balance at 31 July 2017 | (221) | 2,336 | 2,115 |

Havant Sixth Form College Financial Statements 2016-2017

Statement of Cash Flows

| | Notes | 2017 £'000 | 2016 £'000 |
|--|-------|---------------|---------------|
| Cash flow from operating activities | | | |
| Surplus for the year | | 181 | 753 |
| Adjustment for non-cash items | | | |
| Depreciation | 10 | 505 | 519 |
| Deferred capital grant release | 3 | (453) | (483) |
| (Increase)/decrease in debtors | 11 | 18 | (26) |
| Increase/(decrease) in creditors due within one year | 12 | 205 | (29) |
| Increase/(decrease) in creditors due after one year | | - | - |
| Pensions costs less contributions payable | 20 | (80) | 100 |
| Adjustment for investing or financing activities | | | |
| Interest payable | 8 | 16 | 33 |
| Net cash flow from operating activities | | <u>392</u> | <u>867</u> |
| Cash flows from investing activities | | | |
| Capital grant receipts | | 30 | 31 |
| Payments made to acquire fixed assets | 10 | (197) | (81) |
| | | <u>(167)</u> | <u>(50)</u> |
| Cash flows from financing activities | | | |
| Interest paid | 8 | (16) | (33) |
| Repayments of amounts borrowed | | (50) | (67) |
| | | <u>(66)</u> | <u>(100)</u> |
| Increase in cash and cash equivalents in the year | | <u>159</u> | <u>717</u> |
| | | | |
| Cash and cash equivalents at beginning of the year | 16 | 335 | (382) |
| Cash and cash equivalents at end of the year | 16 | 494 | 335 |

Havant Sixth Form College Financial Statements 2016-2017

Notes to the Accounts

1. Accounting policies

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.

General Information

Havant Sixth Form College was corporation established under the Further and Higher Education Act 1992 as an English general college of further education until midnight 31 July 2017. The address of the College's principal place of business was:

Havant Sixth Form College
New Road
Havant
Hampshire
PO9 1QL

The nature of the College's operations are set out in page 4 the Strategic Report.

Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the FE HE SORP)*, the *Accounts Direction for 2015 to 2016* and in accordance with the Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern

The accounts are prepared on a basis other than going concern given the College ceased to legally exist after 31 July 2017.

The assets and liabilities of the College were transferred to South Downs College on 1 August 2017, the date of merger, at book values existing at that date.

In the 2016/17 the College continued progression to merger, successfully concluding the activities regarding consultations, legal and the passing of final dissolution resolution by Corporation. This process started in 2015/16 when the College was selected in the first round of government post-16

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education and training area reviews. During the 2016/17 the College continued to participate in the formalities of this process and the recommendation of merger with a local General Further Education College - South Downs College.

As at 31 July 2017 the College loan became immediately repayable to Barclays.

Recognition of income

Funding body recurrent grants are recognised in line with funding body allocations for the period. Any under achievement of the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

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.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Accounting for post employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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 valuations using a prospective benefit method.

The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Hampshire Local Government Pension Scheme

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of

Havant Sixth Form College Financial Statements 2016-2017

return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

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

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

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

Non current assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value 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.

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 30 years. The College has a policy of depreciating major adaptations/ buildings improvements over a period of their useful economic life of 10 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

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On adoption of FRS102, the College followed the transitional provision to retain the book value of land and buildings as deemed cost, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account 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.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is normally capitalised at cost where it can be readily identified and located for future asset verification purposes. Equipment inherited from the local education authority is included in the balance sheet at valuation. Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- motor vehicles – 3 years on a straight-line basis;
- computer equipment – 3 years on a straight-line basis;
- furniture, fixtures and fittings – 5 years on a straight-line basis.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Leasing agreements which transfer to the

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College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Taxation

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

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 insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial assets

Financial assets are initially measured at transaction prices (less any transactions costs).

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

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.

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

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Comprehensive Income Statement and are shown separately in Note 22, including the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant which the college retains.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the college's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

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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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. 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.

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3 Funding body grants

| | 2017 | 2016 |
|---------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Recurrent grants | | |
| Education Funding Agency | 4,952 | 5,511 |
| Skills Funding Agency | 338 | 344 |
| Specific grants | | |
| Education Funding Agency | 50 | 15 |
| Releases of government capital grants | 453 | 483 |
| Total | 5,793 | 6,353 |

4 Tuition fees and education contracts

| | 2017 | 2016 |
|------------------------------------|------------|------------|
| | £'000 | £'000 |
| Tuition fees | 2 | 4 |
| Apprenticeship fees and contracts | 17 | 73 |
| Fees for FE loan supported courses | 3 | 5 |
| Total tuition fees | 22 | 82 |
| Education contracts | 86 | 131 |
| Total | 108 | 213 |

5 Other Income

| | 2017 | 2016 |
|------------------------------------|------------|------------|
| | £'000 | £'000 |
| Catering | 170 | 191 |
| Other income (trips) | 97 | 126 |
| Other income generating activities | 59 | 91 |
| Total | 326 | 408 |

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6 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, expressed as full-time equivalents, was:

| | 2017 | 2016 |
|--------------------|------------|------------|
| | No. | No. |
| Teaching staff | 55 | 60 |
| Non teaching staff | 50 | 50 |
| | <u>105</u> | <u>110</u> |

Staff costs for the above persons

| | 2017 | 2016 |
|---------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 2,994 | 3,203 |
| Social security costs) | 266 | 236 |
| Other pension costs | 580 | 510 |
| | <u>3,840</u> | <u>3,949</u> |
| Contractual restructuring costs | 8 | - |
| | <u>3,848</u> | <u>3,949</u> |
| Total Staff costs | | |

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 Leadership Team which comprises the Principal, Deputy Principal, Assistant Principals, Director of Finance and Corporate, IT Services Manager and the MIS Manager.

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

| | 2017 | 2016 |
|--|----------|----------|
| | No. | No. |
| The number of key management personnel including the Accounting Officer was: | <u>7</u> | <u>8</u> |

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The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

| | Key management personnel | |
|-------------------------|--------------------------|----------|
| | 2017 | 2016 |
| | No. | No. |
| £10,001 to £20,000 p.a. | 1 | 1 |
| £20,001 to £30,000 p.a. | 1 | 2 |
| £40,001 to £50,000 p.a. | 4 | 2 |
| £60,001 to £70,000 p.a. | 1 | 2 |
| £70,001 to £80,000 p.a. | - | 1 |
| | <u>7</u> | <u>8</u> |

The bands above reflect actual emoluments paid to post holders for their service tenure periods in the year. Band £20,001 to £30,000 is a 20% recharge of the 1 day per week Principal's services from The South Downs College; band £40,001 to £50,000 is a member of staff employed throughout the period but on maternity leave from 31 March 2017.

Key management personnel emoluments is made up as follows:

| | 2017 | 2016 |
|--|------------|------------|
| | £'000 | £'000 |
| Salaries | 288 | 367 |
| National insurance paid | 38 | 38 |
| Benefits in kind | - | 3 |
| | <u>326</u> | <u>408</u> |
| Pension contributions | 48 | 51 |
| Total key management personnel emoluments | <u>374</u> | <u>459</u> |

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

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

| | 2017 | 2016 |
|-------------------------|-----------|-----------|
| | £'000 | £'000 |
| Salaries | 28 | 66 |
| National insurance paid | 4 | 8 |
| Benefits in kind | - | 3 |
| | <u>32</u> | <u>77</u> |
| Pension contributions | 5 | 6 |

On 31 July 2016 the former Principal retired. From 1 August 2016 to 31 July 2017 the Principal from South Downs College was seconded into the role on a part time basis as a prelude to our merger with South Downs College as on 1 August 2017.

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7 Other operating expenses

| | 2017 | 2016 |
|--------------------|--------------|--------------|
| | £'000 | £'000 |
| Teaching costs | 271 | 248 |
| Non-teaching costs | 669 | 616 |
| Examination costs | 154 | 217 |
| Premises costs | 503 | 549 |
| | <hr/> | <hr/> |
| Total | 1,597 | 1,630 |
| | <hr/> | <hr/> |

Other operating expenses include:

| | 2017 | 2016 |
|--------------------------------------|-------|-------|
| | £'000 | £'000 |
| Auditors' remuneration: | | |
| Financial statements audit | 17 | 18 |
| Internal audit | - | - |
| Operating lease charges paid in year | 189 | 208 |

8 Interest and other finance costs

| | 2017 | 2016 |
|--|-----------|------------|
| | £'000 | £'000 |
| On bank loans, overdrafts and other loans: | 16 | 33 |
| Pension finance costs (Note 20) | 80 | 90 |
| | <hr/> | <hr/> |
| Total | 96 | 123 |
| | <hr/> | <hr/> |

9 Taxation

The College has no liability for Corporation tax arising out of its activities during the year.

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10 Tangible fixed assets

| | Land and buildings Freehold | Equipment | Assets in the course of construction | Total |
|---------------------------------------|--------------------------------|--------------|---|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | |
| At 1 August 2016 | 12,740 | 3,118 | - | 15,858 |
| Additions | - | 18 | 179 | 197 |
| Transfers | - | - | - | - |
| At 31 July 2017 | 12,740 | 3,136 | 179 | 16,055 |
| Depreciation | | | | |
| At 1 August 2016 | 4,177 | 2,919 | - | 7,096 |
| Charge for the year | 413 | 92 | - | 505 |
| At 31 July 2017 | 4,590 | 3,011 | - | 7,601 |
| Net book value at 31 July 2017 | 8,150 | 125 | 179 | 8,454 |
| Net book value at 31 July 2016 | 8,563 | 199 | - | 8,762 |

Fixed assets had been deemed at cost on transition to FRS102.

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11 Debtors

| | 2017 £'000 | 2016 £'000 |
|--------------------------------------|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | - | 26 |
| Prepayments and accrued income | 48 | 40 |
| Total | 48 | 66 |

12 Creditors: amounts falling due within one year

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Bank loans and overdrafts | 299 | 50 |
| Payments received in advance | 6 | 7 |
| Trade creditors | 102 | 139 |
| Pension creditors | 62 | 60 |
| Payments on account | 6 | 31 |
| Other taxation and social security | 66 | 71 |
| Accruals | 81 | 55 |
| Holiday pay accrual | 126 | 143 |
| Deferred income – government capital grants | 443 | 450 |
| Other amounts owed to Funding Bodies | 73 | 53 |
| Total | 1,264 | 1,059 |

13 Creditors: amounts falling due after one year

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Bank loans | - | 298 |
| Deferred income – government capital grants | 2,457 | 2,872 |
| Total | 2,457 | 3,170 |

14 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

| | 2017 £'000 | 2016 £'000 |
|----------------------------|---------------|---------------|
| In one year or less | 299 | 50 |
| Between one and two years | - | 99 |
| Between two and five years | - | 149 |
| In five years or more | - | 51 |
| Total | 299 | 349 |

With the dissolution of the College at midnight 31 July 2017 the Bank loan becomes immediately repayable.

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15 Provisions

| | Defined benefit obligations |
|---------------------------|-----------------------------|
| | £'000 |
| At 1 August 2016 | (3,790) |
| Expenditure in the period | (160) |
| Additions in period | 790 |
| At 31 July 2017 | (3,160) |

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

16 Cash and cash equivalents

| | At 1 August 2016 | Cash flows | Other changes | At 31 July 2017 |
|---------------------------|------------------|------------|---------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 335 | 159 | - | 494 |
| Overdrafts | - | - | - | - |
| Total | 335 | 159 | - | 494 |

17 Capital and other commitments

| | 2017 | 2016 |
|-----------------------------------|-------|-------|
| | £'000 | £'000 |
| Commitments contracted at 31 July | 47 | 160 |

The College has a Fire Door replacement contract with ACE SOUTHERN LTD for works scheduled over Summer 2017/18.

18 Lease obligations

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

| | 2017 | 2016 |
|---|------------|------------|
| | £'000 | £'000 |
| Future minimum lease payments due | | |
| Not later than one year | 130 | 191 |
| Later than one year and not later than five years | 79 | 302 |
| Later than five years | - | - |
| | 209 | 493 |

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19 Post Balance Sheet Events

On 1 August 2017 the College formally dissolved as a legal entity through a merger with South Downs College and becomes part of a new entity called Havant and South Downs College (HSDC). As on 1 August 2017 all assets and liabilities of Havant Sixth Form College transfer across to HSDC.

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20 Defined benefit obligations

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

| Total pension cost for the year | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Teachers' Pension Scheme: contributions paid | 280 | 297 |
| Local Government Pension Scheme: | | |
| Contributions paid | 220 | 202 |
| FRS 102 (28) charge | 80 | 10 |
| Charge to the Statement of Comprehensive Income | 300 | 212 |
| Enhanced pension charge to Statement of Comprehensive Income | - | - |
| Total Pension Cost for Year within staff costs | 580 | 509 |

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 2012 and of the LGPS 31 March 2016.

Contributions of £36,252 for Teachers' Pension and £25,447 for the LGPS were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £280,000 (2016: £297,000)

FRS 102 (28)

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.

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Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hampshire County Council. The total contributions made for the year ended 31 July 2017 were £279,750, of which employer's contributions totalled £219,398 and employees' contributions totalled £60,352. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 8.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

| | At 31 July 2017 | At 31 July 2016 |
|--------------------------------------|--------------------|--------------------|
| Rate of increase in salaries | 3.5% | 3.3% |
| Future pensions increases | 2.0% | 1.8% |
| Discount rate for scheme liabilities | 2.6% | 2.4% |
| Inflation assumption (CPI) | 2.0% | 1.8% |
| Commutation of pensions to lump sums | 25% | 25% |

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 2017 years | At 31 July 2016 Years |
|-----------------------------|-----------------------------|-----------------------------|
| <i>Retiring today</i> | | |
| Males | 24.0 | 24.6 |
| Females | 27.0 | 26.4 |
| <i>Retiring in 20 years</i> | | |
| Males | 26.0 | 26.7 |
| Females | 29.3 | 28.7 |

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

| | Fair Value at 31 July 2017 £'000 | Fair Value at 31 July 2016 £'000 |
|--|---|--|
| Equity instruments | 3,886 | 3,159 |
| Debt instruments | 1,645 | 1,565 |
| Property | 413 | 412 |
| Cash | 406 | 434 |
| Total fair value of plan assets | 6,350 | 5,570 |
| | | |
| Actual return on plan assets | 540 | 620 |

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

| | 2017 | 2016 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Fair value of plan assets | 6,350 | 5,570 |
| Present value of plan liabilities | (9,510) | (9,360) |
| Net pensions (liability)/asset (Note 15) | (3,160) | (3,790) |

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

| | 2017 | 2016 |
|--|------------|------------|
| | £'000 | £'000 |
| Amounts included in staff costs | | |
| Current service cost | 300 | 210 |
| Past service cost | - | - |
| Total | 300 | 210 |

Amounts included in investment income

| | | |
|---------------------|-------------|-------------|
| Net interest income | (80) | (90) |
| | (80) | (90) |

Amount recognised in Other Comprehensive Income

| | | |
|---|------------|----------------|
| Return on pension plan assets | 400 | 440 |
| Experience gains/(losses) arising on defined benefit obligations | 390 | (1,440) |
| Changes in assumptions underlying the present value of plan liabilities | - | - |
| Amount recognised in Other Comprehensive Income | 790 | (1,000) |

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

| | 2017 | 2016 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Net defined benefit (liability)/asset in scheme at 1 August | (3,790) | (2,690) |
| Movement in year: | | |
| Current service cost | (300) | (210) |
| Employer contributions | 220 | 200 |
| Past service cost | - | - |
| Net interest on the defined (liability)/asset | (80) | (90) |
| Actuarial gain or loss | 790 | (1,000) |
| Net defined benefit (liability)/asset at 31 July | (3,160) | (3,790) |

Asset and Liability Reconciliation

| | 2017 | 2016 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Changes in the present value of defined benefit obligations | | |
| Defined benefit obligations at start of period | 9,360 | 7,540 |
| Current service cost | 300 | 210 |
| Interest cost | 220 | 270 |
| Contributions by Scheme participants | 60 | 60 |
| Experience (gains)/losses on defined benefit obligations | (390) | 1,440 |
| Changes in financial assumptions | - | - |
| Estimated benefits paid | (40) | (160) |
| Past service cost | - | - |
| Curtailments and settlements | - | - |
| Defined benefit obligations at end of period | 9,510 | 9,360 |

Changes in fair value of plan assets

| | 2017 | 2016 |
|---|--------------|--------------|
| Fair value of plan assets at start of period | 5,570 | 4,850 |
| Interest on plan assets | 140 | 180 |
| Return on plan assets | - | - |
| Actuarial gain | 400 | 440 |
| Employer contributions | 220 | 200 |
| Contributions by Scheme participants | 60 | 60 |
| Estimated benefits paid | (40) | (160) |
| Fair value of plan assets at end of period | 6,350 | 5,570 |

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21 Related party transactions

Owing 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 have an interest.

In year the College appointed a local Facilities Management company to provide 2 days a month professional Health and Safety consultancy on an ongoing basis. The Managing Director is also a member on the Corporation of the College. Purchases of Health and Safety Consultancy totalled £14,460 in the year. There were no amounts outstanding at the year end. All transactions have been conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The Accounting Officer and the two staff members, receive remuneration, in respect of services they provide in undertaking their contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any remuneration or waive any payments from the college in respect of their roles as governors. No expenses were paid to or on behalf of governors during the year (2015: None) with respect of travel and subsistence and other out of pocket expenses.

22 Amounts disbursed as agent

| | 2017 | 2016 |
|--|-------|-------|
| | £'000 | £'000 |
| EFA - 16-18 Bursary Fund | 92 | 100 |
| SFA - 19+ Hardship | 4 | 2 |
| SFA - 20+ Childcare | - | - |
| Sub total | 96 | 102 |
| Disbursed to students | (82) | (89) |
| Administration costs | (4) | - |
| Balance unspent as at 31 July, included in creditors | 10 | 13 |

Funding body grants are available solely for students. 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.

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF HAVANT AND SOUTH DOWNS COLLEGE IN RESPECT OF HAVANT SIXTH FORM COLLEGE, AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 6 October 2017 and further to the requirements of the Funding Agreement published by the Education Funding Agency to obtain limited assurance about whether the expenditure disbursed and income received by Havant Sixth Form College (the 'Dissolved College') during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

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

Responsibilities of the Corporation of Havant and South Downs College in respect of Havant Sixth Form College for regularity

The governing body of the Dissolved College was responsible, under the funding agreement and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The Corporation of Havant and South Downs College is responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2016 to 2017.

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

This work was integrated with our audit of the financial statements of the Dissolved College and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

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

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19/12/17