SPARSHOLT COLLEGE HAMPSHIRE

Report and Financial Statements
for the year ended 31 July 2017

Sparsholt College Hampshire

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Tim Jackson - Principal and Accounting Officer
Martin Simmons - Deputy Principal
Stephen Horrobin - Director of Finance & Facilities
Suzanne Grant - Vice Principal Corporate
Stuart Barlow - Vice Principal Curriculum

Board of Governors

A full list of Governors is given on pages 12 and 13 of these financial statements.

Mrs S Willson acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statement auditor and reporting accountants:

KPMG LLP
Gateway house
Tollgate
Chandlers Ford
Hampshire
SO53 3TG

Internal auditors:

RSM
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

Bankers:

Nat West plc
105 High Street
Winchester
SO23 9AW

Solicitors:

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

Sparsholt College Hampshire

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Sparsholt College Hampshire

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

The members of the Corporation 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 Sparsholt College Hampshire and was incorporated on 1 April 1993. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. In 2007, Sparsholt College Hampshire merged with the former Cricklade College to form one Corporation; Andover College is therefore a campus of Sparsholt College Hampshire. The Corporation is also known as the Board of Governors.

Mission

The Board of Governors reviewed the College's mission in July 2016 and reconfirmed the College's mission for 2016/17 as:

"To inspire learners to recognise and achieve their full potential."

Public Benefit

Sparsholt College Hampshire is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Board of Governors, who are trustees of the charity, are disclosed on pages 12 and 13.

The four cornerstones for our vision for the College are:

Sparsholt College, the Specialist Further Education College

The Specialist Further Education College, recognised locally, regionally and nationally for providing outstanding specialised further education in land and environment, sports academies and sustainable technology with a focus on learner success and progression to Higher Education and employment.

Sparsholt College, the Specialist Higher Education College

The Specialist Higher Education institution, a key national and international provider of specialist higher education in the applied science of land, environment and sustainable resource management which excels in 'research into practice' at Foundation, Honours and Masters Degree levels.

Andover, the Successful Community Tertiary College

The outstanding community Tertiary College, integral to the Andover community, a key educational partner successfully servicing demand in NW Hampshire, East Wiltshire and West Berkshire providing a vibrant range of academic and vocational courses with a strong focus on learner success and progression to Higher Education and employment.

The Corporate College, working with employers to support their success

The expert trainer of choice for business and industry, providing a comprehensive offer characterised by high-quality timely and bespoke interventions and a suite of apprenticeships that meet employer needs and positively impact on the success of their business.

In setting and reviewing the College's strategic objectives, the Board has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.
- Links with Local Enterprise Partnerships (LEPs)

Implementation of Strategic Plan

In July 2016 the College adopted a Strategic Plan for the period 1 August 2016 to 31 July 2019, including an annual operating plan for the academic year 2016/17. The Board of Governors monitors the performance of the College against the Strategic Plan and the plans are reviewed and updated each year. The College has 17 continuing long-range strategic objectives, which fell into four priority areas in this period:

1. **Priority 1:** High quality provision within an environment that ensures outstanding teaching, personalised guidance and support, which enables learners to develop their curiosity, knowledge, skills, and achieve qualifications for their career success.

2. **Priority 2:** Sophisticated, current and readily available information and analysis to support timely and effective guidance for students and employers, which informs decision-making to improve quality, whilst maintaining financial strength and efficiency and minimising the environmental impact of college operations.

3. **Priority 3:** Harness college resources through innovative, sustainable and profitable commercial activity which underpins the financial health of the college and benefits our learning communities.

4. **Priority 4:** The forging of key strategic alliances to secure our market prominence and influence, in order to be able to focus on projects and products with high-value impact for our commercial customers, our learning communities and the College.

Good progress was made in 2016/17 towards achieving the long-range objectives and therefore the delivery of these priorities.

In 2016/17 the College had 40 range of annual milestones targets, the majority of which were achieved in full with two 'mostly achieved and a further seven partially achieved. The Board acknowledged that seven milestones had been partially achieved and only two fell into 'not achieved' which were 'International student recruitment' and 'benchmarking with other like colleges in business support areas', neither of which were critical to the plan. The key financial targets for the year have all been achieved and the college was and will continue to be classified as ESFA financial health 'Good'. The new Andover Technology and Future Skills Centre was completed, on budget and on-time and formally opened October 2016. This project was 80% grant funded from two main sources and with loan financing of the 20% balance on an interest free and repayment free basis for a period of 3 years and thereafter at a 3.5% rate of interest for a further 12 years. It was noted that the college had taken part in the FE Commissioner led Area Based Review of FE Colleges and been judged to be a 'stand-alone' college but with interest in working in partnership with other likeminded colleges. At the year end, the Board of Governors concluded that the College had made good progress in achieving the annual objectives for 2016/17 and especially the financial outcome which was improved even from the point of re-forecasting through keen attention to core costs.

Report of the Governing Body (continued)

Financial objectives

The College's continuing financial objectives are:

- To achieve or better the annual year-end budget outturn position approved by the Board of Governors;
- To maintain strong financial management which sustains all college activity in order to facilitate outstanding curriculum delivery and reinvestment in resources.

During 2016/17 the Board of Governors received a monthly report on the College's position against these financial health indicators and, whilst the College's finances required careful management in a challenging year, the final outturn has exceeded expectations.

The College is committed to observing the importance of sector measures, indicators and comparative benchmarks. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The Finance Record produces a financial health grading and we are anticipating a rating of 'Good'.

Financial Results

The College Group achieved a surplus in the year of £431,000 (2015/16 – surplus of £1,301,000). The College has accumulated reserves of £33,512,000 and cash balances of £5,048,000.

	2016/17 £000	2015/16 £000
Underlying Surplus/ (Deficit)	431	1,301
Net movement on swaps agreements	101	(119)
Actuarial loss in respect of pension schemes	(390)	(1,200)
Total Comprehensive Income	142	(18)

Tangible fixed asset additions during the year amounted to £1,460,000. This was split between land and buildings acquired of £432,000 and equipment purchased of £1,028,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the funding bodies provided 64% of the College's total income.

The College has two subsidiary companies, Westley Enterprises Limited and Andover Town Football Club Limited. The principal activities of Westley Enterprises Limited are:

- Provision of conference, seminar and wedding facilities
- Provision of Equine Centre facilities to external customers
- Provision of summer accommodation to external clients
- Research and consultancy

The objects of Andover Town Football Club Limited are:-

- To enhance the College's sports curriculum and football academy by providing regular access to higher level football.
- To provide an educational pathway for students aged 16-19 and progression opportunities for 19+.
- To support the development of community links within Andover.

Report of the Governing Body (continued)

Any surpluses generated by the subsidiaries are transferred to the College under Gift Aid. In the current year, the surplus generated by Westley Enterprises Limited was £78,599 (included within the College's income for the year under the deed of covenant in place) and the surplus generated by Andover Town Football Club Limited was £3. Also included within the College's income for the year is £7,087 relating to the 2015/16 surplus generated by Andover Town Football Club which was transferred to the College under Gift Aid during the financial year.

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's Treasury Management Policy is contained within the Financial Regulations approved by the Board. All borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash Flows and Liquidity

At £3,654,000 (2015/16 £5,737,000), the net cash inflow from operating activities continued to be healthy.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2016/17 the College has delivered activity that has produced £17,699,000 in funding body main allocation funding (2015/16 – £16,955,000). The College had approximately 5,369 funded and 1,191 non-funded students.

Student Achievements

Students continue to prosper at the College. The Headline Achievement Rate has increased to 82.9% (2015/16 - 82.6%). Apprenticeship Achievement was 62.1% (2015/16 - 73.7%).

Curriculum Developments

The College has a continuing emphasis on specialist provision through the Sparsholt College campus where specialist Land-Based provision constitutes the majority of the curriculum offer. The college launched the new Zoo Biology BSc and MSc programmes for September 2017 and recruitment to these programmes has been strong. The emphasis at the Andover College campus has been on continuing to build its reputation as the destination of choice for local post-16 learners. The redefinition of the A-level curriculum with the inclusion of a greater range of subject choices, and also the introduction of significant new BTEC National Awards to provide an alternative to learners in Andover who do not possess the level of performance at GCSE to warrant progression to A-level, has ensured that the curriculum meets the needs of the local community. In addition, in Andover, the College is planning continued growth in its vocational offer by increasing the apprenticeship work it is undertaking in areas of craft study. The new Andover Future Skills and Technology Centre was completed during the year and formally opened in October 2016. The Centre will be a major focal point for growth in Apprenticeship enrolment working closely with local employers. The Access to Higher Education programme launched at Sparsholt in September 2016 continues to be a popular choice and progression to Foundation degree and BSc has been strong for September 2017. The first cohort of HNC Performing Arts enrolled in September 2016 and a second cohort commenced in September 2017 with every sign that this programme will expand in future and be supported by another variant HNC subject choice in September 2018.

The college is also planning to offer specific short course provision in renewable energy technology in 2017/18 with a veiw to further offers in coming years with the development of the new Renewables Centre building.

The College has significantly increased the range of Apprenticeship Framework subjects offered and there has been a corresponding increase in the number of apprenticeships delivered by the College. At both campuses, the College continues to maintain good relationships with local secondary schools and provides access to a specialist curriculum at 14-16.

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 whichever is later. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College aims to pay all valid invoices within that period and incurred £nil of interest charges in respect of late payment for this period.

Future Developments

Plans on the Sparsholt College campus for the next 18 months include development of the Hampshire Centre for the Demonstration of Environmental Technologies through construction of an anaerobic digester; this is intended to provide low cost energy as well as a teaching resource for an innovative new curriculum area.

RESOURCES

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

Buildings

At the Sparsholt College campus, the College has constructed some significant new buildings over the past 10 years. The major building project which was completed, commissioned and formally opened in October 2016 was the Andover Technology and Future Skills Centre. The building involves a new curriculum area of Electrical Trades but other curriculum areas have been displaced from other buildings within the college into their new bespoke locations which is already allowing growth in enrolments of Apprenticeships in specialist subjects associated with the technical specialist teaching and skills provided in the building. The displacement of the curriculum areas of Vehicle, Engineering, Carpentry and Construction has also allowed for some modest expenditure on re-purposing some of those areas for use by ICT, Digital Futures and creative arts. At Sparsholt campus a new set of Equine stables and Reception area have been completed.

Financial

The College has £33.5 million of net assets (including £12.7 million pension liability) and long term debt of £6.0 million.

People

The College employs 448 people (expressed as full time equivalents), of whom 221 are teaching staff.

Reputation

The Sparsholt College brand is very strong and has been further supported by achieving the University Centre Sparsholt designation from the Department for education and a "Silver Award" in the Teaching Excellence Framework (TEF) for universities. It is pleasing to see that the Summer 2017 A Level results have further contributed to the growing reputation for Andover College with a 2nd year of 100% Pass rate in the A2 exams and with "Value-Added" showing that AS-level students at Andover College achieve 'stretch-grades' in their exams amongst the top 5% of institutions in the country. Increased student enrolments for A-Levels in Andover continue to reflect the strong reputation which has now been established for Andover College.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year 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. The College's Risk Management Plan, approved annually by the Board of Governors on the advice of the Audit Committee, details roles, responsibilities and procedures for risk management. The Audit Committee reviews progress with the Risk Management plan each term.

Based on the Strategic Plan, the following are the most significant residual risks facing the College in 2016/17. A series of measures has been put into place to ensure that (insofar as possible) identified risks are managed. A summary of controls in place for the three most significant risks is shown below.

Risk 1.2 Applicants fail to enrol or Learners withdraw or fail to attend, causing funding to be lost in year or adversely impacting on Financial plans for future years	Enrolments and other dynamic KPIs tracked through both College Healthcheck Report and SLT meetings
Risk 1.3 Inability to achieve financial targets due to changes in Government funding and/or insufficient notice or rule changes or in year cuts to allow sensible financial planning.	Senior Managers keep abreast of likely policy shifts by reading AoC, SFA, EFA, DfE & BIS weekly circulars & through attending Conferences/Seminars. Ability to influence debate prior to Government policy being decided.
Risk 3.1 Changes in Government Funding make enrolment less attractive to the market (e.g. Apprenticeship tariff changes FE student loans).	Prudent budget planning taking into account possible best and worst scenarios. The Resources Committee and Board of Governors receive termly reports on emerging policy drivers so that these can be reflected in early consideration of the next annual cycle of Strategic Planning.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Sparsholt College (incorporating Andover College) has many stakeholders. These include:-

- Students, trainees and learners from the wider local and business community.
- The Education and Skills Funding Agency (ESFA) and Higher Education Funding Council for England (HEFCE).
- FE Commissioner;
- Members of Staff.
- Employers from the land based business community in many parts of the United Kingdom.

- Employers from the local business community of mid and north west Hampshire.
- Hampshire County Council as the main "Local Authority".
- Winchester City Council and Test Valley Borough Council as the District/Borough authorities closest to the College.
- The local community through a range of voluntary and other organisations connected with Family Learning and other initiatives with which the College is involved.
- Secondary schools in the Winchester and Andover areas.
- Staff trade unions.
- Local Economic Partnerships (Enterprise M3 and Solent).
- Third sector organisations eg Royal Horticultural Society and British Horse Society.

The College recognises the importance of these relationships and engages in regular communication with them through a variety of means, including social media. The Board of Governors has approved a Learner Involvement Strategy and a Staff Involvement Strategy which describe our aspirations for learner and staff engagement.

Statement on Equality Duties

The College is committed to advancing equality of opportunity and to avoiding discrimination, harassment and victimisation in all its activities. The Board of Governors has approved a Single Equality Scheme which is reviewed annually and published on the College websites.

The purpose of the Single Equality Scheme is to describe in a single document how the College intends to:

- eliminate unlawful discrimination, harassment and victimisation.
- advance equality of opportunity.
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The Single Equality Scheme addresses the College's responsibilities under the Equality Act 2010 and gives consideration to inclusiveness for all in accordance with our Mission and Values. The protected characteristics defined by the Equality Act are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Single Equality Scheme provides evidence of equality analysis undertaken to establish whether College policies and practices would further, or have furthered, the aims of the Public Sector Equality Duty which took effect on 6 April 2011. Equality objectives are set based on this analysis and the Single Equality Scheme reports annually on progress with achievement of these.

A Wellbeing Committee exists to monitor delivery of the Single Equality Scheme, alongside Safeguarding and Health & Safety, and reports termly to the Board of Governors on progress.

Safeguarding

The Corporation is committed to safeguarding and promoting the wellbeing of our students and expects all staff to share this commitment. A Safeguarding Learners Policy has been approved by the Board of Governors. The government 'CONTEST 'initiative with its emphasis on 'PREVENT' (prevention of radicalisation), is reflected within the college Safeguarding procedures and all current staff have been trained on PREVENT and on British Values. New staff are trained as part of their induction on these matters.

Widening Participation

The College views bursary awards as important in helping to ensure access to education from families who would otherwise be unable to access the College's services. Our bursary awards are available to all who meet our general entry requirements and are made solely on the basis of means or to relieve hardship where a student's education and future prospects would otherwise be at risk. Further details of our policies on bursaries and fees are available from Student Administration.

The College is directly funded for Higher Education by the Higher Education Funding Council for England. Our access agreement describes the amount of additional fee income to be spent on access measures and how this income will be spent in order to safeguard and maintain fair access.

DISCLOSURE OF INFORMATION TO AUDITOR

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

Approved by order of the members of the Board of Governors on 13 December 2017 and signed on behalf of Sparsholt College Hampshire by:

M. Coombes

Michael Coombes
Chairman

Sparsholt College Hampshire

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 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and

iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges which it formally adopted on 1 October 2015.

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 in the Report of the Governing Body preceding this statement.

The Board of Governors

The members who served on the Board of Governors during the year and up to the date of signature of this report are listed in the table below.

Name	Date appointed	Term of office	Date of resignation	Status of appointment	Committees served 2016/17	Attendance 2016/17
Mrs E Bolton	26.03.15	4 years	---	Staff	Resources	100%
Miss M Brett	12.09.16	Duration of Course	08.11.16	Student	CEMR	0%
Mrs Z Carter	01.01.16	4 years	---	External	Audit; Search	100%
Mr M Coombes (Chairman)	14.07.05 re-appointed 14.07.09 extended to 31.07.18	4 years (extended by 1 year)	---	External	Resources (Chair); Search (Chair); Remuneration	100%
Miss C Duffy	30.03.17	Duration of		Student	CEMR	67%
Mr R Fawcett	10.12.09 re-appointed 10.12.13	4 years	---	External	Remuneration (Chair); CEMR; Audit	100%
Mr T Floyd	07.07.17	4 years	---	External	Resources	N/A
Mr A Hoad	01.01.16	4 years	---	External	Resources	75%
Mr N Hopkins (Vice Chairman)	11.07.13	4 years	---	External	Q&S (Chair); Resources; Search	100%
Mr T D Jackson	01.09.98	---	---	Principal	CEMR; Q&S; Resources; Remuneration; Search	100%

Sparsholt College Hampshire

Statement of Corporate Governance and Internal Control (continued)

Name	Date appointed	Term of office	Date of resignation	Status of appointment	Committees served 2016/17	Attendance 2016/17
Mr P Lloyd	16.12.04 re-appointed 16.12.08 16.12.12	4 years	15.12.16	External	Remuneration; Resources; Search	67%
Mr S Morgan	09.03.12 re-appointed 09.03.16	4 years	---	External	CEMR (Chair)	88%
Mr A Owen	07.07.17	4 years	---	External	Audit	N/A
Dr R Palmer	03.04.14	4 years	---	External	Q&S; Search	67%
Mr G Rake	01.05.17	4 years		Staff	Q&S	100%
Miss A Robbins	01.01.16	Duration of Course	30.09.17	Student	Q&S	75%
Mr G Tabeart	10.07.16	4 years	05.04.17	Staff	Q&S	83%
Mrs J Venables	01.08.14	4 years	03.04.17	External	Audit	67%
Mr S Ward	07.12.06 re-appointed 07.12.10 11.12.14	4 years	---	External	CEMR	100%
Mr C Wilson	11.07.13	4 years	---	External	Audit (Chair); Q&S	100%

Notes:

Attendance figures are for Board and committee meetings

CEMR = Curriculum, Employers & Market Requirements Committee

Q&S = Quality & Standards Committee

Mrs S Willson acted as Clerk to the Corporation.

It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board and its Committees are provided with regular and timely information on the overall financial performance of the College together with other information such as performance against targets, proposed capital expenditure, health and safety performance, and progress with action plans for quality, equality and environmental sustainability.

The Board of Governors meets at least once each term and conducts its business through a number of committees: namely Audit; Curriculum, Employers & Market Requirements; Quality & Standards; Remuneration; Resources and Search. Each committee has terms of reference, which have been approved by the Board. Full minutes of all meetings, except those deemed to be confidential by the Board of Governors, are available on the College website at sparsholt.ac.uk. The papers accompanying the agendas for the meetings (except papers designated as confidential) are available for inspection in the Clerk's office at Sparsholt College Hampshire, Sparsholt, Winchester, Hampshire, SO21 2NF.

The Clerk to the Corporation maintains a register of financial and personal interests of members of the Board of Governors, co-opted Committee members, College Cost Centre Managers and Directors of College subsidiary companies. The registers are also available for inspection at the above address.

Statement of Corporate Governance and Internal Control (continued)

Board of Governors Performance

The Board of Governors undertook a full self-assessment of its performance and that of its committees during the year up to 31 July 2017 in accordance with the Code. The Board was satisfied that the composition, structure and operations of the Board were effective and remained fit for purpose. The Board agreed a number of actions to update procedures and to ensure continuous improvement.

All governors are able to take independent professional advice in the 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, performance evaluation and removal of the Clerk are matters for the Board of Governors as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner prior to meetings. Two seminars are held annually, access to external training is provided, as well as briefings on an ad hoc basis.

The Board of Governors has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Audit committee

The Audit Committee comprises three governors (excluding the Principal and the Chairman) and two co-opted members. The Committee operates in accordance with written terms of reference approved by the Board.

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 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 Board of Governors 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.

Curriculum, Employers & Market Requirements Committee

The Curriculum, Employers & Market Requirements Committee oversees the strategic direction and delivery of the College's curriculum. The Committee advises the Board on how the College's educational and training offers meet the needs of learners and employees and deliver economic and public value.

Statement of Corporate Governance and Internal Control (continued)

Quality & Standards Committee

The Quality & Standards Committee monitors and considers the effectiveness of the College's quality assurance systems in ensuring measurable gains in educational performance and learner experience. The Committee oversees the College's self-assessment processes, contributing to the setting of educational performance indicators and targets which inform strategic planning and lead to continued improvement and consistency.

Resources Committee

The Resources Committee advises the Board of Governors on financial matters, property and human resources. The Committee recommends the annual estimates of income and expenditure for approval by the Board and considers, at each meeting, a monitoring report on matters likely to impact on the College's financial plans and objectives.

Remuneration Committee

Throughout the year ending 31 July 2017 the College's Remuneration Committee comprised four governors. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders and to monitor performance of the individuals.

Search Committee

Any new appointments to the Board of Governors and its Committees are a matter for the consideration of the Board as a whole. The Search Committee is responsible for the selection and nomination of any new external member or co-opted committee member for the Board's consideration. Members of the Board are appointed for a term of office not exceeding four years. The Committee provides advice on the constitution of the Board and recommends representation of the College on the Boards of Directors of subsidiary companies, taking into account parameters set by legislation and guidance on good governance.

Details of remuneration for the year ended 31 July 2017 are set out in note 8 of the financial statements.

Internal control

Scope of responsibility

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

The Board has delegated the day-to-day responsibility to the 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 Financial Memorandum/Financial Agreement between Sparsholt College Hampshire and the funding bodies. He is also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal control.

Statement of Corporate Governance and Internal Control (continued)

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The Risk Management Plan describes the system of internal control has been in place in Sparsholt College Hampshire 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 Board of Governors has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that the Risk Management Plan defines an appropriate process for identifying, evaluating and managing the College's significant risks and that this has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This Risk Management Plan is reviewed and approved annually by the Board of Governors.

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. It is described in more detail in the Corporate Governance Strategy and Scheme of Delegation approved by the Board of Governors. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Governors.
- regular reviews by the Board of Governors of periodic and annual financial reports which indicate financial performance against forecasts.
- setting targets to measure financial and other performance.
- clearly defined internal financial regulations.

Sparsholt College Hampshire has an internal audit service which operates in accordance with the requirements of the ESFA'S Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Governors on the recommendation of the Audit Committee. As a minimum annually, the Head of Internal Audit (HIA) provides the Board of Governors with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors.
- 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 and the regularity auditors in their management letters and other reports.

Sparsholt College Hampshire

Statement of Corporate Governance and Internal Control (continued)

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

The senior management team (the SLT) receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention. The SLT 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 Board of Governors receives the minutes of Audit Committee meetings termly and considers any recommendations made by the Committee on risk management and control.

At its December 2017 meeting, the Board of Governors carried out the annual assessment for the year ended 31 July 2017, and taking account of events since 31 July 2017, by considering the report of the Principal, the report of the Audit Committee, and the annual report of the internal audit service.

Based on the advice of the Audit Committee and the Principal, the Board of Governors 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

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

Approved by order of the members of the Board of Governors on 13 December 2017 and signed on behalf of Sparsholt College Hampshire by:

M. Coombes

M Coombes
Chairman

T D Jackson
Principal and Accounting Officer

Sparsholt College Hampshire

Statement of Regularity, Propriety and Compliance

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

We confirm, on behalf of the Board of Governors, 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 Financial Memorandum.

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

Approved by order of the members of the Board of Governors on 13 December 2017 and signed on behalf of Sparsholt College Hampshire by:

M. Coombes

M Coombes
Chairman

T D Jackson
Principal and Accounting Officer

Sparsholt College Hampshire

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, 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 ESFA, and 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 statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the college or to cease operations, or have no realistic alternative but to do so.

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 information about 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 such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA 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 College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 13 December 2017 and signed on its behalf by:

M. Coombes

M Coombes
Chairman

Sparsholt College Hampshire

INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF SPARSHOLT COLLEGE

We have audited the financial statements of Sparsholt College ("the College") for the year ended 31 July 2017 which comprise the Consolidated statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves and the Balance sheets, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2017, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Corporation is responsible for the other information, which comprises Report of the Governing Body and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 19, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.

Jonathan Brown

Jonathan Brown
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

15 December 2017

Sparsholt College Hampshire

Reporting Accountant's Report on Regularity to the Corporation of Sparsholt College and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 5 November 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Sparsholt College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Sparsholt College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Sparsholt College and Education and Skills Funding Agency 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 Sparsholt College and the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Sparsholt College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. 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.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

Reporting Accountant's Report on Regularity to the Corporation of Sparsholt College and the Secretary of State for Education acting through the Education and Skills Funding Agency (continued)

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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.

Jonathan Brown

Jonathan Brown
For and on behalf of KPMG LLP, Reporting Accountant
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

15 December 2017

Sparsholt College Hampshire
Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2017 Group £'000	2017 College £'000	Year ended 31 July 2016 Group £'000	2016 College £'000
INCOME					
Funding body grants	2	18,652	18,652	17,836	17,836
Tuition fees and education contracts	3	4,440	4,438	3,992	3,992
Other grants and contracts	4	486	486	310	310
Other income	5	5,496	5,125	5,205	4,627
Endowment and investment income	6	205	205	9	9
Donations and Endowments	7	-	-	160	160
Total income		**29,279**	**28,906**	**27,512**	**26,934**
EXPENDITURE					
Staff costs	8	15,719	15,609	14,798	14,675
Fundamental restructuring costs	8	139	139	8	8
Other operating expenses	9	10,492	10,223	9,863	9,414
Depreciation	12	2,141	2,141	2,074	2,074
Interest and other finance costs	10	645	645	737	737
Total expenditure		**29,136**	**28,757**	**27,480**	**26,908**
Surplus before other gains and losses		**143**	**149**	**32**	**26**
Profit on disposal of assets		(3)	(3)	342	342
Gain on investments		300	300	927	927
Surplus before tax		**440**	**446**	**1,301**	**1,295**
Taxation	11	(9)	(9)	-	-
Surplus for the year		**431**	**437**	**1,301**	**1,295**
Net movement in swaps agreements		101	101	(119)	(119)
Actuarial loss in respect of pensions schemes		(390)	(390)	(1,200)	(1,200)
Total Comprehensive Income for the year		**142**	**148**	**(18)**	**(24)**

Sparsholt College Hampshire
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account - unrestricted	Income and Expenditure account - restricted	Revaluation reserve	Total excluding Non controlling interest	Non Contolling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Balance at 1st August 2015	2,159	16	31,213	33,388	-	33,388
Surplus from the income and expenditure account	1,294	7	-	1,301	-	1,301
Other comprehensive income	(1,319)	-	-	(1,319)	-	(1,319)
Transfers between restricted and unrestricted income and expenditure reserves	-	-	-	-	-	-
Transfers between revaluation and income and expenditure reserves	183	-	(183)	-	-	-
	158	7	(183)	(18)	-	(18)
Balance at 31st July 2016	2,317	23	31,030	33,370	-	33,370
Surplus from the income and expenditure account	431	-	-	431	-	431
Other comprehensive income	(289)	-	-	(289)	-	(289)
Transfers between restricted and income and expenditure reserves	7	(7)	-	-	-	-
Transfers between revaluation and income and expenditure reserves	180	-	(180)	-	-	-
Total comprehensive income for the year	329	(7)	(180)	142	-	142
Balance at 31st July 2017	2,646	16	30,850	33,512	-	33,512
College						
Balance at 1st August 2015	2,159	-	31,213	33,372	-	33,372
Surplus from the income and expenditure account	1,295	-	-	1,295	-	1,295
Other comprehensive income	(1,319)	-	-	(1,319)	-	(1,319)
Transfers between restricted and unrestricted income and expenditure reserves	-	-	-	-	-	-
Transfers between revaluation and income and expenditure reserves	183	-	(183)	-	-	-
	159	-	(183)	(24)	-	(24)
Balance at 31st July 2016	2,318	-	31,030	33,348	-	33,348
Surplus from the income and expenditure account	437	-	-	437	-	437
Other comprehensive income	(289)	-	-	(289)	-	(289)
Transfers between revaluation and income and expenditure reserves	180	-	(180)	-	-	-
Total comprehensive income for the year	328	-	(180)	148	-	148
Balance at 31st July 2017	2,646	-	30,850	33,496	-	33,496

Sparsholt College Hampshire
Balance sheets as at 31 July

	Notes	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Fixed assets					
Tangible fixed assets	12	60,467	60,467	61,159	61,159
Investments	13	910	910	1,205	1,205
		61,377	**61,377**	**62,364**	**62,364**
Current assets					
Stocks	14	505	505	490	490
Trade and other receivables	15	934	853	902	852
Cash and cash equivalents	20	5,048	5,030	3,018	2,999
		6,487	**6,388**	**4,410**	**4,341**
Less: Creditors – amounts falling due within one year	16	(6,379)	(6,296)	(5,623)	(5,576)
Net current assets/(liabilities)		**108**	**92**	**(1,213)**	**(1,235)**
Total assets less current liabilities		**61,485**	**61,469**	**61,151**	**61,129**
Less: Creditors – amounts falling due after more than one year	17	(14,843)	(14,843)	(15,701)	(15,701)
Provisions					
Defined benefit obligations	19	(12,740)	(12,740)	(11,660)	(11,660)
Other provisions	19	(390)	(390)	(420)	(420)
Total net assets		**33,512**	**33,496**	**33,370**	**33,348**
Restricted reserves					
Income and expenditure account - restricted		16	-	23	-
Unrestricted reserves					
Income and expenditure account - unrestricted		2,646	2,646	2,317	2,318
Revaluation reserve		30,850	30,850	31,030	31,030
Total reserves		**33,512**	**33,496**	**33,370**	**33,348**

The financial statements on pages 23 to 52 were approved and authorised for issue by the Corporation on 13 December 2017 and were signed on its behalf on that date by:

M Coombes M. Coombes
Chairman

T D Jackson
Accounting Officer

Sparsholt College Hampshire
Consolidated Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash inflow from operating activities			
Surplus for the year		431	1,301
Adjustment for non cash items			
Depreciation		2,141	2,074
Change in value of investments		(300)	(927)
(Increase)/decrease in stocks		(15)	5
(Increase)/decrease in debtors		(32)	180
Increase in creditors due within one year		672	718
(Decrease)/increase in creditors due after one year		(66)	2,321
Decrease in provisions		(30)	(441)
Pensions costs less contributions payable		410	120
Adjustment for investing or financing activities			
Investment income		(205)	(9)
Interest payable		645	737
Loss/(profit) on sale of fixed assets		3	(342)
Net cash flow from operating activities		**3,654**	**5,737**
Cash flows from investing activities			
Proceeds from sale of fixed assets		8	1,086
Investment income		800	9
Payments made to acquire fixed assets		(1,460)	(4,286)
		(652)	(3,191)
Cash flows from financing activities			
Interest paid		(348)	(383)
New unsecured loans		-	500
Repayments of amounts borrowed		(624)	(539)
		(972)	(422)
Increase in cash and cash equivalents in the year		**2,030**	**2,124**
Cash and cash equivalents at beginning of the year	20	3,018	894
Cash and cash equivalents at end of the year	20	**5,048**	**3,018**

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.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with 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 as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Westley Enterprises Limited and Andover Town Football Club Limited, controlled by the Group. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £6.7m of long-term loans outstanding with bankers on terms negotiated in between 2003 and 2014. All of these are on unsecured terms. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future notwithstanding the position of net current liabilities. For this reason the College will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the statement of comprehensive income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November 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.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the statement of comprehensive income.

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

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

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

Investment income

All income from short-term deposits is credited to the statement of comprehensive income in the period in which it is earned.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

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

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 there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Wessex Local Government Pension Scheme (LGPS)

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

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

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.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's statement of comprehensive income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

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

Land and buildings

Land and buildings acquired since incorporation are stated in the balance sheet at cost or subsequent valuation. Permanent buildings are depreciated over their expected useful economic life of between 10 and 50 years. Residential buildings are depreciated over 50 years on the difference between cost and estimated residual value.

Freehold land is not depreciated as it is considered to have an infinite useful life. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2014, as deemed cost 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 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 statement of comprehensive income in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. Where individual equipment costing less than £1,000 is purchased in bulk quantities, such as computers, this equipment is capitalised at cost. All other equipment is capitalised at cost.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- building improvements – between 2% and 10% per year on a straight-line basis
- motor vehicles – 25% per year on a straight-line basis
- computer and other equipment – 25% per year on a straight-line basis
- furniture, fixtures and fittings – 10% per year 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.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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

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

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

Investments

Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise. No depreciation is provided in respect of investment properties valued at fair value.

Investments in ordinary shares are stated at the lower of their cost and net realisable value.

Stocks

Stocks are stated at the lower of their cost and net realisable value, using accepted conventions to arrive at deemed cost where actual cost is not accurately available in the case of certain farm stocks. All farm stocks are evaluated by independent qualified valuers at the balance sheet date. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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 liabilities and equity

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

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Taxation

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

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

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when:

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

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

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

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, 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 23, 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 2013 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.

2 Funding council grants

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	2,243	2,243	2,148	2,148
Education and Skills Funding Agency - 16-18	14,747	14,747	14,107	14,107
Education and Skills Funding Agency - apprenticeships	709	709	700	700
Higher Education Funding Council	650	650	511	511
Specific Grants				
Education and Skills Funding Agency - free meals	-	-	39	39
Releases of government capital grants	303	303	332	332
HE grant	-	-	(1)	(1)
Total	18,652	18,652	17,836	17,836

3 Tuition fees and education contracts

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Adult education fees	994	992	810	810
Apprenticeship fees and contracts	66	66	52	52
Fees for FE loan supported courses	284	284	325	325
Fees for HE loan supported courses	2,974	2,974	2,678	2,678
International students fees	117	117	114	114
Other	5	5	13	13
Total tuition fees	4,440	4,438	3,992	3,992
Education contracts				
Total	4,440	4,438	3,992	3,992

4 Other grants and contracts

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Other grants and contracts	486	486	310	310
Total	486	486	310	310

5 Other income

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Catering and residences	2,445	2,176	2,196	1,596
Other income generating activities	1,736	1,468	1,903	1,860
Gift Aid received	-	85	-	102
Non government capital grants	115	115	10	10
Miscellaneous income	1,200	1,281	1,096	1,059
Total	5,496	5,125	5,205	4,627

6 Investment income

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Bank interest receivable	5	5	9	9
Other investment income	200	200	-	-
	205	205	9	9

7 Donations

	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Donated Assets	-	-	160	160
Total	-	-	160	160

Sparsholt College Hampshire
Notes to the Accounts (continued)

8 Staff costs - Group and College

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

	2017 No.	2016 No.
Teaching staff	221	227
Non teaching staff	227	230
	448	**457**

Staff costs for the above persons

		2017 £'000	2016 £'000
Wages and salaries		12,241	11,839
Social security costs		1,011	817
Other pension costs		2,400	2,060
Payroll sub total		**15,652**	**14,716**
Contracted out staffing services		67	82
		15,719	**14,798**
Fundamental restructuring costs -	contractual	139	8
	non contractual	-	-
		15,858	**14,806**

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, Finance Director, Vice Principal (Curriculum) and Vice Principal (Corporate). Staff costs include compensation paid to key management personnel for loss of office.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	5	5

The number of senior post-holders and other staff who received emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,001 to £70,000	-	1	3	3
£70,001 to £80,000	1	-	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	1	1	-	-
	3	**3**	**3**	**3**

8 Staff costs - Group and College

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

	Key management personnel		Other staff	
	2017	**2016**	**2017**	**2016**
	No.	**No.**	**No.**	**No.**
£60,001 to £70,000	2	3	1	1
£70,001 to £80,000	1	-	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	1	1	-	-
	5	5	1	1

Key management personnel emoluments are made up as follows:

	2017	**2016**
	£'000	**£'000**
Salaries- gross of salary sacrifice and waived emoluments	415	413
Employers National Insurance	52	48
Benefits in kind	5	3
	472	**464**
Pension contributions	65	63
Total emoluments	**537**	**527**

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

	2017	**2016**
	£'000	**£'000**
Salaries	125	125
Benefits in kind	1	1
	126	126
Pension contributions	21	20

Compensation for loss of office paid to former key management personnel

	2017	**2016**
	£	**£**
Compensation paid to the former post-holder -	-	-
Estimated value of other benefits, including provisions for	-	-

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs*	4,150	4,024	4,015	4,015
Non teaching costs	3,553	3,444	3,251	2,804
Premises costs	2,789	2,755	2,597	2,595
Total	**10,492**	**10,223**	**9,863**	**9,414**

* Includes £731,795 (2015/16 £626,719) payments to Associates for Employer Responsive activity.

Other operating expenses include:	**2017**	**2016**
	£'000	**£'000**
Auditor's remuneration:		
Audit of financial statements*	17	19
Audit-related assurance services	-	1
Internal audit**	17	18
Losses on disposal of tangible fixed assets (where not material)	-	-
Hire of assets under operating leases	448	463

* includes £17,376 in respect of the College (2015/16 £17,254)
** includes £16,144 in respect of the College (2015/16 £18,450)

10 Interest payable - Group and College

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	365	397
	365	397
Pension finance costs (note 23)	280	340
Total	**645**	**737**

11 Taxation - Group only

UK Corporation Tax

	2017 £'000	2016 £'000
Current tax on income for the year	9	-
	9	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 20% (to March 2017) and 19% (from April 2017). The differences are explained below:

	2017	2016
Profit on ordinary activities before tax	440	1,301
Profit on ordinary activites multiplied by standard average rate of corporation tax in the UK of 19.67% (2016 - 20%)	87	260
Effects of:		
Income not taxable for tax purposes	(78)	(260)
Total tax charge for the year.	9	-

The members believe that the College was liable for corporation tax arising out of its non-charitable activities during the year. The above tax charge for the year relates to these activities.

Westley Enterprises Limited has no corporation tax liability on undistributed profits.

For Andover Town Football Club Limited the tax charge on the profit on ordinary activities for the year was as follows:

	2017 £	2016 £
Current tax on income for the year	-	1
Deferred taxation - losses brought forward	-	-
	-	1
Profit on ordinary activities before tax	-	7
Tax charge on profit on ordinary activities @ 19.7% (2016: 20.0%)	-	1
Tax credit for Gift Aid	(1)	-
Losses brought forward	-	-
Total effect	(1)	1

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

Sparsholt College Hampshire
Notes to the Accounts (continued)

12 Tangible fixed assets (Group)

	Land and buildings Freehold	Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	55,260	12,110	8,121	75,491
Additions	231	201	1,028	1,460
Disposals	-	(5)	(355)	(360)
At 31 July 2017	**55,491**	**12,306**	**8,794**	**76,591**
Depreciation				
At 1 August 2016	1,321	6,834	6,177	14,332
Charge for the year	738	772	631	2,141
Elimination in respect of disposals	-	(5)	(344)	(349)
At 31 July 2017	**2,059**	**7,601**	**6,464**	**16,124**
Net book value at 31 July 2017	**53,432**	**4,705**	**2,330**	**60,467**
Net book value at 31 July 2016	53,939	5,276	1,944	61,159

12 Tangible fixed assets (College only)

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	55,260	12,110	8,121	75,491
Additions	231	201	1,028	1,460
Disposals	-	(5)	(355)	(360)
At 31 July 2017	**55,491**	**12,306**	**8,794**	**76,591**
Depreciation				
At 1 August 2016	1,321	6,834	6,177	14,332
Charge for the year	738	772	631	2,141
Elimination in respect of disposals	-	(5)	(344)	(349)
At 31 July 2017	**2,059**	**7,601**	**6,464**	**16,124**
Net book value at 31 July 2017	**53,432**	**4,705**	**2,330**	**60,467**
Net book value at 31 July 2016	53,939	5,276	1,944	61,159

Land and buildings, including Improvements, were valued at 31 July 2014 by Carter Jonas, a firm of independent Chartered Surveyors, and the valuation was on the following basis :-

- Specialised buildings - depreciated replacement cost
- Other buildings – existing use value

If inherited land and buildings had not been revalued they would have been included in the accounts at nil cost and nil net book value.

13 Non current Investments

	College 2017 £'000	College 2016 £'000
Investments in subsidiary companies	-	-
Investment property	900	1,200
Other investments	10	5
Total	910	1,205

Two out of the four properties which were identified as surplus to College requirements and were re-classified as investment property at the end of last year have been sold. A further property has been identifed as surplus to College requirements this year and has been re-classified as investment property. The valuation was on an open market basis and was carried out by Charters Estate Agents. This has resulted in a gain on revaluation of £300,000.

The College owns 100% of the issued share capital of Westley Enterprises Limited (£2). The principal business activities of Westley Enterprises Limited are the provision of conference facilities and accommodation to a wide range of customers. The company was incorporated in 1987 and operates within the United Kingdom. Investments are eliminated in the group accounts.

The College owns 100% of the issued share capital of Andover Town Football Club Limited (£1). The principal activities of Andover Town Football Club Limited are:

a) To enhance the College's sports curriculum and football academy by providing regular access to higher level football
b) To provide an educational pathway for students aged 16-19 and progression opportunities for 19+
c) To support the development of community links within Andover

The company was incorporated in 2013 and operates within the United Kingdom. Investments are eliminated in the group accounts.

The College owns 20% of the ordinary share capital of Cultiva Limited (formerly ELITE Consortium Limited), a company incorporated in England and Wales. The company is a joint venture with four other land-based Colleges. During the year £nil (2015/16 £nil) was paid to this company by the College relating to running costs. The results of Cultiva Limited have not been gross equity accounted on the grounds that they are not material.

At 31 July 2017, the College held shares in Genus plc valued at £5,000 which are not intended for sale within the next 12 months.

During the year the College has invested £5,000 towards the development costs of an EPA organisation with Landex.

14 Stocks

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Farm stock	481	481	460	460
Consumables	24	24	30	30
Total	505	505	490	490

15 Trade and other receivables

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	462	406	552	515
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	14
Prepayments and accrued income	312	287	273	246
Amounts owed by the ESFA	160	160	77	77
Total	**934**	**853**	**902**	**852**

16 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	664	664	597	597
Trade payables	1,301	1,293	1,394	1,378
Amounts owed to group undertakings:				
Subsidiary undertakings	-	105	-	16
Corporation tax	9	9	1	-
Other taxation and social security	508	508	501	501
Accruals and deferred income	3,241	3,061	2,559	2,513
Deferred income - government capital grants	412	412	386	386
Amounts owed to the ESFA	244	244	185	185
Total	6,379	6,296	5,623	5,576

17 Creditors: amounts falling due after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	6,014	6,014	6,705	6,705
Obligations under finance leases	-	-	-	-
Deferred income - government capital grants	8,457	8,457	8,464	8,464
Other creditors	167	167	226	226
Other financial liabilities (note 18b)	205	205	306	306
Total	14,843	14,843	15,701	15,701

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	664	664	597	597
Between one and two years	408	408	662	662
Between two and five years	1,099	1,099	1,118	1,118
In five years or more	4,507	4,507	4,925	4,925
Total	6,678	6,678	7,302	7,302

A long term bank loan with RBS at a fixed rate of 5.62%, via a LIBOR rate swap, is repayable by quarterly instalments falling due between 1 August 2017 and 31 July 2018. The loan is advanced on unsecured terms.

A long term loan of £2,000,000 with Lloyds TSB was taken out in two equal tranches during 2003/04 at fixed rates of 5.88885% and 6.13261%. This is repayable by quarterly instalments falling due between 1 August 2017 and 31 December 2018. This loan is also advanced on unsecured terms.

A long-term loan of £750,000 with Lloyds TSB was drawn down in August 2006 at a fixed rate of 5.665%. This is repayable by quarterly instalments falling due between 1 August 2017 and 10 August 2026. This loan is also advanced on unsecured terms.

A long-term loan of £4,000,000 with Barclays Bank was taken out in two equal tranches in August and November 2010 at a fixed rate of 5.44%. This is repayable by quarterly instalments falling due between 1 August 2017 and 3 August 2035. This loan is advanced on unsecured terms.

A long-term loan of £2,000,000 with NatWest Bank was taken out in December 2013 at a fixed rate of 5.69%. This is repayable by quarterly instalments falling due between 1 August 2017 and 19 December 2028. This loan is advanced on unsecured terms.

A long-term loan of £240,000 with Test Valley Borough Council was taken out in December 2014 with interest payable at the official HMRC rate at repayment date. This is repayable by quarterly instalments falling due between 1 August 2017 and 17 December 2029. This loan is advanced on unsecured terms.

A long-term loan of £500,000 with Hampshire County Council was taken out in December 2015 with interest payable at the official HMRC rate at repayment date. This is repayable by quarterly instalments falling due between 1 August 2017 and 17 December 2029. This loan is advanced on unsecured terms.

(b) Other financial liabilities

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due after more than 1 year				
Swaps agreements	205	205	306	306
Total	205	205	306	306

The RBS loan agreement incorporates a Swaps Agreement which is valued at £5,089 (2015/16 £18,158) at the year end.

The Nat West loan agreement taken out in December 2013 incorporates a Swaps Agreement which is valued at £200,453 (2015/16 £287,902) at the year end.

Sparsholt College Hampshire
Notes to the Accounts (continued)

19 Provisions

	Group and College				
	Defined benefit Obligations	Restructuring	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	11,660	-	420	-	12,080
Expenditure in the period	1,080	-	(30)	-	1,050
At 31 July 2017	12,740	-	390	-	13,130

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 23.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2017	2016
Price inflation	3.10%	2.60%
Discount rate	2.60%	2.40%

20 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,018	2,030	-	5,048
Total	3,018	2,030	-	5,048

21 Capital commitments

	Group and College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	376	813

22 Lease Obligations

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

	Group and College	
	2017	**2016**
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	482	482
Later than one year and not later than five years	1,776	1,776
later than five years	7,103	7,547
	9,361	9,805
Other		
Not later than one year	190	190
Later than one year and not later than five years	206	98
later than five years	-	-
	396	288

23 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 Wessex 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		891		901
Local Government Pension Scheme:				
Contributions paid	1,100		1,030	
FRS 102 (28) charge	410		120	
Charge to the Statement of Comprehensive Income		1,510		1,150
Enhanced pension charge to Statement of Comprehensive Income		(1)		9
Total Pension Cost for Year		**2,400**		**2,060**

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 amounting to £235,000 (2016: £234,000) were payable to the scheme and are included in 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, 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 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' 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.

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:

- 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 £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- 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 £891,000 (2016: £901.000)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. 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.

23 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Hampshire County Council. The total contribution made for the year ended 31 July 2017 was £1,440,000, of which employer's contributions totalled £1,100,000 and employees' contributions totalled £340,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2017 by a qualified independent actuary

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.0%	1.6%
Future pensions increases	2.0%	1.6%
Discount rate for scheme liabilities	2.6%	2.4%
Inflation assumption (CPI)	2.0%	1.6%

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	At 31 July 2016
	years	years
Retiring today		
Males	24.0	24.6
Females	26.0	26.4
Retiring in 20 years		
Males	27.0	26.7
Females	29.3	28.7

Sensitivity analysis	At 31 July 2017 £'000s	At 31 July 2016 £'000s
Discount rate +0.1%	39,700	37,530
Discount rate -0.1%	41,420	39,120
Mortality assumption - 1 year increase	39,380	37,230
Mortality assumption - 1 year decrease	41,730	39,410

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The College's share of the assets in the plan were:

	Fair Value at 31 July 2017 £'000	Fair Value at 31 July 2016 £'000
Equities	17,020	15,116
Bonds	7,203	7,492
Property	1,808	1,973
Cash	834	1,386
Other	945	693
Total market value of assets	**27,810**	**26,660**
Actual return on plan assets	**420**	**2,950**

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

	2017 £'000	2016 £'000
Fair value of plan assets	27,810	26,660
Present value of plan liabilities	(40,550)	(38,320)
Net pensions liability (Note 19)	**(12,740)**	**(11,660)**

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	1,500	1,150
Past service cost	10	-
	1,510	**1,150**
Amounts included in investment income		
Net interest income	(270)	(340)
	(270)	**(340)**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(230)	2,110
Experience losses arising on defined benefit obligations	(170)	(3,280)
Changes in assumptions underlying the present value of plan liabilities		-
	(400)	**(1,170)**

Sparsholt College Hampshire
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2017 £'000	2016 £'000
Deficit in scheme at 1 August	(11,660)	(10,030)
Movement in year:		
Current service cost	(1,500)	(1,150)
Employer contributions	1,100	1,030
Past service cost	(10)	-
Net interest on the defined liability	(270)	(340)
Actuarial gain or loss	(400)	(1,170)
Net defined benefit liability at 31 July	**(12,740)**	**(11,660)**

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	38,320	33,010
Current Service cost	1,500	1,150
Interest cost	920	1,180
Contributions by Scheme participants	340	320
Experience gains and losses on defined benefit obligations	170	3,280
Changes in financial assumptions	-	-
Estimated benefits paid	(710)	(620)
Past Service cost	10	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**40,550**	**38,320**

Reconciliation of Assets

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	26,660	22,980
Interest on plan assets	650	840
Return on plan assets	(230)	2,110
Employer contributions	1,100	1,030
Contributions by Scheme participants	340	320
Estimated benefits paid	(710)	(620)
Assets at end of period	**27,810**	**26,660**

24 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 may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £1,208; 5 governors (2016: £1,527; 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016: None).

25 Amounts disbursed as agent

Learner support funds

	2017 £'000	2016 £'000
Funds brought forward from 2015/16	117	121
Funding body grants – bursary & discretionary learner support	622	342
Funding body grants – residential bursaries	414	637
Other Funding body grants	-	-
Interest earned	-	-
	1,153	1,100
Disbursed to students	(741)	(930)
Administration costs	(43)	(42)
Balance unspent as at 31 July, included in creditors	369	128

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.