



SPARSHOLT COLLEGE HAMPSHIRE

**Report and Financial Statements
for the year ended 31 July 2020**

Sparsholt College Hampshire

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Strategic Leadership Team and were represented by the following in 2019/20:

Tim Jackson	-	Principal and Accounting Officer (retired 31 July 2020)
Julie Milburn	-	Deputy Principal Curriculum (appointed Principal from 1 August 2020)
Anne Whitworth	-	Director of Finance
Suzanne Grant	-	Deputy Principal Corporate

Board of Governors

A full list of Governors is given on pages 14 and 15 of these financial statements.

Sally Willson acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditor and reporting accountants:

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal auditor:

RSM
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

Bankers:

NatWest plc
105 High Street
Winchester
SO23 9AW

Sparsholt College Hampshire

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Sparsholt College Hampshire

Report of the Governing Body

OBJECTIVES AND STRATEGY

The members of the Corporation present their report and the audited financial statements for the year ended 31 July 2020.

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. In 2007, Sparsholt College merged with the former Cricklade College to form one Corporation, with Andover College a campus of Sparsholt College Hampshire. The College controls three subsidiary companies, whose activities support the College's mission and objectives. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The Corporation is also known as the Board of Governors.

Mission, vision, strategy and objectives

The Board of Governors reviewed and reconfirmed the College's mission for 2019/20 as, "To inspire learners to recognise and achieve their full potential."

Building upon the good reputation that the College enjoys for the quality and standards of its learning provision, the four cornerstones for our vision 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.

- **University Centre Sparsholt**

The Specialist University Centre, 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.

Each year, the Board of Governors approves a three year strategic plan, including annual operating objectives, against which it monitors the performance of the College. The plan sets out objectives under three priority areas:

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.

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.

Sparsholt College Hampshire

Report of the Governing Body (continued)

Priority 3: 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 against the three year strategic plan objectives and annual milestones in 2019/20. Despite the Covid-19 pandemic, which affected all four cornerstones of the College and Group business, over 80% of objectives have been fully achieved which demonstrates the agility of the organisation to be able to function effectively and efficiently during such challenging circumstances.

Continued investment in teaching, learning and assessment coupled with an enhanced rigorous self-regulation process, has led to a significant improvement in both Further Education achievement rates (+7% from the previous year) and overall apprenticeship rates (+6% on previous year). Whilst the College was required to physically close its doors to the majority of learners in March 2020, we were able to mobilise an online campus overnight, facilitated by the significant investment in IT and ILT infrastructure in recent years. All theory classes were effectively delivered via online learning platforms until the end of the academic year for all aspects of provision, with a small number of learners returning to study on site in practical/competence based subjects in June.

All learning support functions were fully operative in the same fashion, which ensured both the welfare and safeguarding needs of learners were met, whilst also facilitating positive progression for all members of our College community. This has impacted positively on internal progression, both within Further Education and onto Higher Education studies at Sparsholt.

The College continues to provide an outstanding range of high quality training services and CPD solutions to our business community ("Sparsholt Means Business") and this offer was operating well ahead of target prior to suspension of all face to face delivery in March. The rental of conferencing and sports facilities and all summer school activities were also suspended due to Covid-19. Collaborative activities with local Further Education colleges continued as part of the Innovation South Virtual Campus initiative, which has seen the College lead on the development of an online training suite of courses within the digital skills priority subjects as identified by local employers.

Resources

In support of achieving its mission and objectives, the College harnesses, safeguards and invests in a range of key resources:

Students: The College enrolled approximately 4,134 funded and 922 non-funded students.

People: The College Group employs 488 people (expressed as full time equivalents), of whom 209 are teaching staff, and supports their continuous professional development.

Buildings and facilities: During 2019/20, the College commenced the construction of a circa £2.5m Animal Health and Welfare Centre on the Sparsholt College campus, supported by a significant grant from the Enterprise M3 Local Enterprise Partnership. This will provide exemplar facilities which promote best practice, integrate digital technologies, and in doing so will enhance the experience of learners committed to studying veterinary care, animal welfare and animal science. The College has also continued positive dialogue with Test Valley Borough Council about its aspirations for the redevelopment of Andover town centre and the potential in the coming years for a bespoke, new Andover College building. Continued investment in IT and IT infrastructure have remained a key priority to ensure that the College staff and student community are able to fully operate both on and offsite. This has included the purchase of a new data dashboard, integrated camera technology to allow a full classroom experience to be delivered remotely and the purchase of additional Surface Pros to support IT delivery in 'bubbles' and ensure learners are not disadvantaged due to digital poverty. A major rolling refurbishment of the College's Halls of Residence continues which has seen the upgrading of a number of bathroom facilities and improvements to communal areas.

Sparsholt College Hampshire

Report of the Governing Body (continued)

Financial: The College has £19 million of net assets (after £28.8 million pension liability) and long term debt of £5.4 million.

Reputation: Sparsholt College has a well-established reputation as a leading institution for land-based provision and for excellent links with employers both locally and nationally. Andover College continues to develop its curriculum offer to respond to the needs of the local community and enhance Andover Sixth Form's reputation as a top performing A-level provider. Last year, results placed the College in the top 1% of institutions in the country for value-added and, over a three year period, in the top 10%. Together Sparsholt College and Andover College achieved a rating of Good at the last Ofsted inspection and Outstanding for Sparsholt College's residential provision. Sparsholt University Centre, which offers Higher Education programmes validated by the University of Portsmouth, has been awarded a Teaching Excellence Framework ("TEF") Gold award and its students repeatedly acknowledge its expert teaching and industry links.

Principal and Chief Executive

As noted elsewhere in this report, 2020 saw a change in the leadership of the College. The governors would like to take this opportunity to place on public record their appreciation of the dedication, skill, expertise, and sheer hard work that Tim Jackson brought to the role during his many years in post. He made a major contribution to success of the College. We wish him well in his retirement and join him in expressing our confidence in his successor, Julie Milburn.

Stakeholders

The College engages with a wide range of stakeholders, ensuring that it is well informed about their interests and actively seeking collaborations which benefit its learning community and long-term financial performance, as well as responding to the requirements of regulators and funders. Key stakeholder relationships in 2019-20 have included:

- Current and prospective students, trainees and learners from the wider local and business community;
- Members of staff of the College and its subsidiaries, and their trade unions;
- Employers from the land based business community in many parts of the UK, as well as employers from the local business community of mid and north west Hampshire;
- Hampshire County Council as the main Local Authority and Winchester City Council and Test Valley Borough Council as the District/Borough authorities closest to the College's campuses;
- 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;
- Local Economic Partnerships (Enterprise M3 and Solent);
- Third sector organisations, such as the Royal Horticultural Society and British Horse Society;
- Other colleges and universities in the region;
- The Education and Skills Funding Agency ("ESFA"), FE Commissioner and Office for Students ("OfS").

Students continue to prosper at the College. The Headline Achievement Rate was 86.4% (2019: 79.7%) and the Apprenticeship Achievement Rate was 73.2% (2019: 66.8%). The College has in place a number of strategies and policies which describe our commitments for learner, student and staff engagement. In 2019/20, this included the establishment of a new Wellbeing Strategy and signing up to the AOC's Mental Health Charter.

The College also publishes a value for money statement for students on the College website showing where our money came from in the previous year and how it was spent.

Sparsholt College Hampshire

Report of the Governing Body (continued)

Public benefit

Sparsholt College Hampshire is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Board of Governors, who are trustees of the charity for the purposes of charity law, are disclosed on pages 14 and 15. 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 College provides identifiable public benefits through the provision of high quality education, together with wellbeing and support mechanisms, including for students with high needs. The College ensures clear pathways to further education and employment and adjusts its courses to meet the needs of employers and Local Enterprise Partnerships, providing training to apprentices and employees. The College is committed to providing information, advice and guidance to its students and to widening access and participation.

DEVELOPMENT AND PERFORMANCE

Financial results

In common with other Further and Higher Education institutions, particularly in the land-based sector, the College faced increased costs and reduced income in the second half of 2019/20 as a direct result of the Covid-19 pandemic. Active measures were put in place to monitor and, where possible, mitigate the impact, while continuing to offer high standards of learning and support to students.

In the absence of Covid-19, the surplus, before FRS 102 pension adjustments, would have been in excess of £396,000. However this was significantly impacted by Covid-19 with the key areas being lost income from halls of residence with no significant cost savings (£470,000 negative impact) and reduced commercial activity (£253,000 negative impact). Cost savings were able to be achieved particularly in regard to student transport, which helped to mitigate these reductions.

The College Group reported a deficit in the year of £468,000 (2019: £180,000 surplus) after total FRS102 pension adjustments of £1,123,000 (2019: £790,000). The Group outturn for the year before these adjustments was a surplus of £655,000 (2019: £970,000).

The total comprehensive income summary is below:

	2019/20	2018/19
	£000	£000
Underlying (deficit)/ surplus	(468)	180
Net movement on swaps agreements	(10)	(32)
Actuarial loss in respect of pension schemes	<u>(13,514)</u>	<u>(910)</u>
Total Comprehensive Loss	<u><u>(13,992)</u></u>	<u><u>(762)</u></u>

The College Group has accumulated reserves as at 31 July 2020 of £19.3 million (2019: £33.3 million) and cash balances of £7.7 million (2019: £5.3 million). The reduction in reserves is due to the valuation of the Local Government Pension Scheme where the plan liabilities have worsened by £14.5 million year on year.

Tangible fixed asset additions during the year amounted to £1.5 million. This was split between land and buildings acquired/improved of £1.1 million and equipment purchased of £0.4 million.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the funding bodies provided 65% of the College's total income.

Cash Flows and Liquidity

At £3.8 million (2019: £2.7 million), the net cash inflow from operating activities continued to be healthy.

Sparsholt College Hampshire

Report of the Governing Body (continued)

Group companies

The College has three subsidiary companies: Andover Town Football Club Limited, Sparsholt College Services Limited and Westley Enterprises Limited.

Andover Town Football Club Limited has the following objectives:-

- 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.

Andover Town Football Club Limited intends that the distributable profits for the current financial year of £493 will be donated to Sparsholt College Hampshire under a qualifying charitable donation.

Sparsholt College Services Limited was incorporated on 24 October 2018 and commenced trading on 1 February 2019. Its principal activities are:

- To provide support services, activities and functions to the College, including finance, information technology, human resources, marketing, premises and student support

Sparsholt College Services Limited intends that the distributable profits for the current financial year of £536,000 will be donated to Sparsholt College Hampshire under a qualifying charitable donation.

Westley Enterprises Limited has the following principal activities:

- 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

Any profit generated by Westley Enterprises Limited is transferred to the College as a qualifying charitable donation under Gift Aid under a deed of covenant. In the current year the surplus generated by Westley Enterprises Limited was £28,084.

FUTURE PROSPECTS

Future developments

The Animal Health and Welfare Research Centre will open in January 2021, a much welcomed resource to support the growth in higher technical education across the animal welfare, nursing and animal care sector. Further Education Capital Allocation ("FECA") monies will support improvements to parts of the College estate including a new roof at the Andover campus and repairs at Sparsholt, further improvements to halls of residence, new boilers and toilet facilities.

Financial plan

For 2020/21, the Board has continued the objective for the College to maintain strong financial management in order to facilitate outstanding curriculum delivery. It is the College's intention that the year-end deficit budget outturn position, which reflects the continuing significant impact of Covid-19, will be reviewed and, if possible, improved in-year.

Sparsholt College Hampshire

Report of the Governing Body (continued)

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.

Curriculum developments

The strategy for the curriculum is to continue to maintain a strong land-based offer in Further Education, Apprenticeships and Higher Education at the Sparsholt campus, and a broad tertiary offer at Andover, to include both a vocational and A level route to higher level studies. The curriculum continues to evolve in order to remain alert to market demands (using LMI to inform planning), whilst aligning with the functional education reforms as set out in the Post-16 Skills Plan, namely the introduction of T Levels as the technical alternative to A Levels and the move to new Apprenticeship Standards.

The College ensures its curriculum is career-focussed with extended work and industry placements a key component of study programmes, supporting the transition to T Levels (in 2022 at Andover and 2023 at Sparsholt). Notable developments include rural skills, revisions to the SEND offer and a wider curriculum offer in construction trades in response to demand and greater collaborative activity with construction employers. The IT curriculum continues with its remodelling to align with growing trends within the digital industry, including regional priorities in cyber security and gaming.

The University Centre Sparsholt continues to expand with new specialist offers at Sparsholt in FdSc Applied Zoo Science and FdSc/BSc Agriculture, with further top-ups under development in Animal Welfare and Rehabilitation and Veterinary Nursing (subject to validation).

Provision for adults continues to be extended and grown each year, including the development of a range of online and blended learning solutions in response to the current climate.

At both campuses, the College also 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.

Since the lockdown on 23 March 2020, the College commenced paying suppliers as soon as invoices were approved and processed in order to ensure that the cashflow of our suppliers, particularly the smaller entities, was maintained during the pandemic.

Sparsholt College Hampshire

Report of the Governing Body (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Governors has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance. The College's Risk Management Plan, approved annually by the Board of Governors, details roles, responsibilities and procedures for risk management and includes the risk register. The Audit Committee reviews the risk register and controls termly and reports progress with the Risk Management plan to the Board.

Prior to the Covid-19 pandemic, in 2019/20 the College had assessed two risks as 'significant' once management controls has been applied, both related to changes in government funding. In 2020/21, the number of risks assessed as 'significant' has increased to 11 as a result of the impact of the pandemic to date and future uncertainties related to the pandemic. The College has taken active measures to control the risks and to support the effective delivery of its curriculum offer and financial sustainability. The College SLT also regularly reviews and updates a Covid-19 specific operational risk assessment in line with Department for Education guidance.

The most significant risks affecting the College are summarised below along with the actions taken to minimise them. Not all factors are within the College's control and other factors beside those listed below may also adversely affect the College.

Risks	Control Measures
<p>Inability to achieve financial targets related to:</p> <ul style="list-style-type: none"> - Reduced enrolments and funding impacting financial plans for future years - Changes in government funding policies negatively impact enrolments and income (apprenticeship tariffs, FE student loans) - Impact of exceptional Covid-19 related costs, including supplier costs; ability to comply with bank loan covenants - Capital projects delivering over budget or outside of planned timescales due to Covid-19 - New competition in the Further and Higher Education market place and the impact of Covid-19 on prospective students' enrolment decisions 	<ul style="list-style-type: none"> - Applications, enrolments and other dynamic key performance indicators tracked; implementation of targeted marketing strategy; staff utilisation and curriculum contribution value for money analysis undertaken to inform strategic plans - Emerging government policy drivers monitored and reflected in strategic and budget planning - Prudent budget planning, management accounts tracking the impact of Covid-19, negotiations with suppliers, bank covenants under regular review and reporting to banks - Regular review and reporting of property strategy, including budget tracking; capital project planning, use of external professional expertise, oversight by SLT sponsor; use of Covid-19 related funding - regular review of the curriculum plan, recruitment analysis and marketing objectives; development of the curriculum offer informed by employer liaison and labour market data
<p>Inability to achieve quality and student experience expectations related to:</p> <ul style="list-style-type: none"> Failure to sufficiently deliver the increased ILT and IT needs of students and staff, and the related investment, resulting from the pandemic Failure to achieve/maintain relevant accredited standards Maintaining Covid-19 safe campuses in line with DfE guidance 	<ul style="list-style-type: none"> - Investment in IT and ILT infrastructure through external funding and collaboration with partners; loan of IT equipment of students to facilitate remote learning; regular review and updates to IT systems and security - Routine monitoring and reporting; implementation of related strategies and policies; staff recruitment and CPD - Covid-19 safe measures in place informed by government guidance, Covid-19 risk assessment reviewed regularly, timely and clear communications to students and parents; Covid-19 reporting protocols in place

Sparsholt College Hampshire

Report of the Governing Body (continued)

EQUALITY, DIVERSITY AND PARTICIPATION

Equality and Diversity

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, published on the College website, progress against which is reviewed and reported to the Board annually. A Wellbeing Committee exists to monitor delivery of the Single Equality Scheme, alongside Safeguarding (including Prevent) and Health & Safety, and meets termly.

The Single Equality Scheme addresses the College's responsibilities under the Equality Act 2010 and brings together the College's commitments to equality and diversity, including our plans across the organisation. Our objectives demonstrate the College's wholehearted commitment to continued action in tackling inequality and promoting diversity. The College will continue with our efforts to break down barriers and challenge unfairness and ensure opportunities and experiences which help people and communities reach their full potential.

Gender Pay Gap reports for the previous two years are published on the College website.

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 Services.

The College is regulated and funded for Higher Education by the Office for Students ("OfS"). The College's access and participation plan describes the amount of additional student fee income to be spent on access measures and how the College will improve equality of opportunity for under-represented groups to access, succeed in and progress from Higher Education. The latest access and participation plan approved by the OfS (2020/21-2024/25) is published on the College website.

Safeguarding

The Corporation is committed to safeguarding and promoting the wellbeing of our students and expects all staff to share this commitment. The Safeguarding Learners Policy and Procedures are updated annually to incorporate changes to statutory guidance on child protection and safeguarding procedures, including PREVENT. In 2019/20 a further appendix was added entitled 'Remote teaching, learning and support' in response to Covid-19 and additional expectations. New staff are trained as part of their induction on these matters, and a rolling CPD programme ensures all staff are up to date with current and emerging issues. From 2017 onwards, the Board has annually appointed a nominated governor who undertakes a lead role for safeguarding, meets termly with the designated safeguarding team and reports to the Board, providing assurance on the effectiveness of safeguarding.

Trade Union Facility Time

The Trade Union Act 2016 introduced a requirement for public sector employers to publish certain information annually in respect of trade union facility time. The relevant reporting period is 1 April to the following 31 March every year and for the data to be published no later than 31 July.

For the purposes of this piece of legislation, the College is classified as falling in the public sector. The College is required to publish data regarding trade union facility time each year on the College website and in its annual report and on a Government website.

This report provides the College's statutory disclosure of trade union facility time for the period 1 April 2019 to 31 March 2020.

Sparsholt College Hampshire

Report of the Governing Body (continued)

Trade Union Facility Time Data for the period 1 April 2019 to 31 March 2020

Table 1 – Relevant trade union officials

Number of employees who were relevant trade union officials during the relevant period	Full-time equivalent number of employees
	0

Table 2 - Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1% -50%	0
51% - 99%	0
100%	0

Table 3 – Percentages of pay bill spent on facility time

	College Data
The hourly cost for each relevant union official employed during the period (includes basic salary, pension contributions and NI contributions)	£21.83 per hour*
The number of paid facility time hours per official over the 12 months	0
The total annual facility time cost per relevant employee	0
Total cost of facility time	0
Total pay bill (includes employers National Insurance and Pension contributions)	£9,573,358
Percentage of total pay bill spent on facility time	0%

*Notional hourly cost

Table 4 – Paid trade Union Activities

Time spent on paid trade union activities as a % of total paid facility time hours	0%
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GOING CONCERN

The activities of the Group and 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 Group and the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £4.7m of long-term loans outstanding with bankers and £0.6m long-term loans outstanding with Local Councils on terms negotiated between 2003 and 2014, and a £0.1m long-term loan outstanding with Salix on terms negotiated in 2018. All of these are on unsecured terms.

The impact of Covid-19 on the outturn for 2020/21 remains uncertain depending on how the pandemic progresses and the initial budget approved by the Board of Governors in July 2020 was a deficit budget of £1.7 million. Despite this, given the built up reserves, the cash balance is unlikely to fall below £1.0 million taking account of sensitivities and so no cash flow support is likely to be needed and staff and suppliers can continue to be paid for the foreseeable future.

A deficit at this level would however mean a breach in the College's loan covenants. Positive discussions have been held with our lenders who remain supportive of the College and have indicated that they will not require repayment of their loans should the breach materialise. The lenders may consider other issues such as security or renegotiation of terms, but these would not affect the College's ability to continue as a going concern.

Sparsholt College Hampshire

Report of the Governing Body (continued)

The College will continue to strive to reduce the level of deficit through good cost control and other measures with the aim of meeting the covenants and there are positive indicators so far in 2020/21 with better than anticipated enrolment of Higher Education students, greater take up of halls of residence than budgeted and 16-18 enrolment for 2020/21 being on a par with 2019/20. This will be monitored via the monthly management reporting process.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for a period of least 12 months from the date of approval of these financial statements. For this reason the College will continue to adopt the going concern basis in the preparation of its Financial Statements.

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 they 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 11 December 2020 and signed on behalf of Sparsholt College Hampshire by:

A handwritten signature in black ink, appearing to be 'N Hopkins', written over a horizontal line.

N Hopkins
Chair of Governors

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 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

GOVERNANCE CODE

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 CORPORATION

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	Attendance 2019/20
D Beaven	09.12.18	4 years	08.11.19	External	Resources	0% (see notes)
J Blaber	01.01.18	Duration of course	30.06.20	Student	Q&S	78%
Z Carter	01.01.16 reappointed 01.01.20	4 years 4 years	–	External	Audit	73%
S Eden	05.04.19	4 years	11.12.19	External	Resources	50%
J Emm	01.01.20	4 years	–	External (SCS Staff)	Resources	100%
T Floyd	07.07.17	4 years	–	External	CEMR (Chair), Resources	92%
N Hopkins Chair from 01.08.18	11.07.13 reappointed 11.07.17	4 years 4 years	–	External	Remuneration, Resources (Chair), Search (Chair)	92%
T Jackson	01.09.96	Duration as Principal	31.07.20 (on retirement)	Principal	CEMR, Q&S, Resources, Search	100%
J Lander	01.05.20	4 years	–	External	Resources	100%
M Lauder	01.09.18	4 years	–	External	Audit; Remuneration	92%
J Milburn	01.08.20	Duration as Principal	–	Principal	CEMR, Q&S, Resources, Search	N/A
N Moody	01.05.20	4 years	–	External	CEMR	100%
S Morgan	09.03.12 reappointed 09.03.16 09.03.20	4 years 4 years 4 years	–	External	CEMR	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	Attendance 2019/20
A Neal	14.12.17	4 years	–	External	Remuneration (Chair); Resources	100%
A Owen	07.07.17	4 years	–	External	Q&S	100%
R Palmer	03.04.14 reappointed 03.04.18	4 years 4 years	–	External	Q&S (Chair)	90%
H Perry	22.03.18	4 years	–	Staff	Q&S	100%
J Porter	01.09.19	Duration of course	30.06.20	Student	CEMR	56%
C Wilson Vice Chair from 01.08.18	11.07.13 reappointed 11.07.17	4 years 4 years	–	External	Audit (Chair)	100%

Notes:

Attendance figures are for all Board and committee meetings convened during 2019/20.

D Beaven's attendance figure applies to one committee meeting. There were no Board meetings convened during her tenure in 2019/20.

CEMR = Curriculum, Employers & Market Requirements Committee

Q&S = Quality & Standards Committee

S Willson acted as Clerk to the Corporation

The governance framework

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, quality matters and resources matters such as capital expenditure, health and safety, safeguarding, equality and environmental matters.

The Board of Governors meets at least once each term and facilitates its business through a number of committees: 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, are available on the College website. 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 register is available for inspection at the above address.

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. Briefings and training are provided via a range of formats throughout the year. Governors also undertake 'Link' visits to deepen their understanding of areas of College activity.

Sparsholt College Hampshire

Statement of Corporate Governance and Internal Control (continued)

There were no adverse changes to the governance framework as a result of Covid-19. The full calendar of Board and committee meetings was maintained through the use of online videoconference technology and the electronic distribution of papers. Regular communications between the Chair, Principal, Board and committee members and the Clerk to the Corporation continued and management reporting was adapted to cover key governance matters related to the impact of Covid-19.

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 Chair of Governors and the Principal, who is also the Accounting Officer, are separate.

During the Covid-19 lockdown period, the College applied the Public Procurement Notices issued by the Cabinet Office to the suppliers of certain of its services, to ensure value for money by virtue of security of continuity of critical supplies.

The cleaning service contract continued to be paid in full through to June, and thereafter at a slightly reduced cost for July and August when the cleaning company incurred some cost savings due to the Job Relief Scheme. The rent for student rooms at the University of Winchester continued to be paid, albeit on a slightly reduced rent, despite the rooms being vacated by the students. The outsourced catering company received a contribution towards lost stock but the College was fortunate in it was not required to pay any other suppliers under this Cabinet Office notice.

Board of Governors' Performance

The Board of Governors has undertaken a self-assessment of its performance during the year ended 31 July 2020 in accordance with the Code. The Board drew on information from questionnaires completed by Board members, annual performance reviews conducted by its committees, benchmarking data, feedback from the SLT and knowledge of the College's overall performance, including in relation to external reviews, and of the operation of Group governance arrangements.

The Board was satisfied that the structure and operations of the Board were effective overall, fit for purpose and responsive to developments in the regulatory and funding environment and to the Covid-19 pandemic. The Board decided to enhance its composition and resilience in 2020/21 by introducing a Co-Vice Chair role and extending the number of student governors from two to three, one each for University Centre Sparsholt, Andover College and Sparsholt College. A number of specific actions in relation to prioritisation of Board business and training and development were also agreed.

Audit committee

The Audit Committee comprises three Governors (excluding the Principal and the Chair of Governors) 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 Committee also receives and considers reports from the main Further Education funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

Sparsholt College Hampshire

Statement of Corporate Governance and Internal Control (continued)

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 Board of Governors.

Curriculum, Employers & Market Requirements Committee

The Curriculum, Employers & Market Requirements Committee oversees the strategic direction, intent and impact of the College's curriculum. The Committee advises the Board on how the College's education and training offers meet the needs of students, learners and employees and deliver economic and public value and student progression. The Committee also monitors implementation of the Higher Education Access and Participation Plan.

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 student experience and outcomes. The Committee oversees the College's Further and Higher Education quality processes, considering feedback from students and external reviews and 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 income and expenditure budget for approval by the Board and considers reporting on matters likely to impact on the College's financial plans and objectives.

Remuneration Committee

The Remuneration Committee's responsibilities are to oversee policies and make recommendations to the Board on the remuneration and benefits of the Principal, other senior post-holders and the Clerk to the Corporation and to monitor performance of the individuals. The Board has adopted the AOC's Senior Staff Remuneration Code, has regard to the Higher Education Senior Staff Remuneration Code and publishes an annual remuneration statement on the College's website. The senior post-holders within the remit of the Committee during 2019/20 were the Principal, Deputy Principal – Corporate and Deputy Principal – Curriculum. The Director of Finance is within the remit of the Remuneration Committee of Sparsholt College Services Limited.

Details of remuneration for the year ended 31 July 2020 are set out in note 8 of the financial statements.

Search Committee and Appointments

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 and, other than in exceptional circumstances, not for more than two terms. 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.

Members receive a full induction programme and ongoing training and development.

Sparsholt College Hampshire

Statement of Corporate Governance and Internal Control (continued)

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 they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum/Financial Agreement between Sparsholt College Hampshire and the funding bodies. They are also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

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 and has been in place in Sparsholt College Hampshire for the year ended 31 July 2020 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 2020 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. 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.

The College has an internal audit service which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board 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. Covid-19 did not prevent the completion of the internal audit activity.

Sparsholt College Hampshire

Statement of Corporate Governance and Internal Control (continued)

Risks face by the Board of Governors

The principal operational, financial, compliant and other risks faced by the college are summarised in the report of the governing body and the College's capacity to handle risk is confirmed above.

Risks set out in the risk register are identified and evaluated by the Strategic Leadership Team and reviewed by the Audit Committee, reporting to the Board of Governors. The severity of each risk is evaluated through a risk scoring model on the basis of impact (level of financial risk and level of reputational risk) multiplied by the likelihood of the risk occurring. The Risk Management Plan defines the scoring criteria for each assessment and the range of scores which define 'significant', 'contingent' and 'housekeeping' risks. Significant risks are judged to have a high impact and a high probability of occurring. Risks are evaluated and reported both with and without controls applied and it is the responsibility of the Strategic Leadership Team to carry out the actions required to mitigate and monitor the risks. The Audit Committee also advises the Board on areas of risk identified for inclusion in the risk register as a result of its work.

Control weaknesses identified

No significant internal control weaknesses or failures have been identified by the internal auditors or by the College during the year and up until the accounts being signed.

Responsibilities under funding agreements

The Corporation has taken reasonable steps to ensure that funds from the ESFA are used only for the purposes for which they have been given and any other conditions that may be prescribed from time to time and that there are appropriate financial management controls in place to ensure that contractual requirements have been complied with.

Statement from the Audit Committee

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

The Audit Committee was informed by the 2019/20 annual internal audit opinion of RSM, which confirmed that the Corporation has an adequate and effective framework for risk management, governance and internal control and by specific areas of work undertaken by the Audit Committee in 2019/20 and up to the date of the approval of the financial statements, including:

- Assurance; reviews of internal audit reports on payroll, financial forecasting, Office for Students CMA compliance, learner number systems and curriculum planning confirmed that systems and controls were designed and operated effectively. Management agreed to address the minor action points arising from the audits.
- Financial statements & regularity audit: review of the external audit strategy and external audit reports on the Annual Report and Financial Statements and Regularity Audit. No issues were identified in relation to external audit or regularity.
- Governance framework: monitoring of the adequacy and effectiveness of the governance framework. No issues of control were raised.
- Risk management: monitoring of the Corporation's risk management plan and risk register, including confirmation that adequate levels of control were maintained during the Covid-19 lockdown period.
- Fraud and irregularity: receiving assurance about internal controls in relation to payroll fraud risk and confirmation of ESFA verification audits of European Social Fund skills provision contracts. There were no incidences of fraud, irregularity or whistleblowing disclosures.

Sparsholt College Hampshire

Statement of Corporate Governance and Internal Control (continued)

- Resources and assets: reviewing an annual report on procurement and value for money confirming actions taken by College management during the preceding year, reviewing the internal audit report of the curriculum plan which advised that there were rigorous approvals processes in place to ensure affordability and that curriculum planning effectively supported meeting enrolment targets and funding agency allocations.
- Data quality: receiving assurance about key areas of data quality through the internal audit programme and external audit.
- Auditors' performance: overseeing the re-tendering of the external audit service and reviewing the performance of the internal auditors.

The Audit Committee's business plan was not impacted by Covid-19. Meetings of the Committee took place via online videoconference and, where necessary, the auditors made use of secure portal and electronic communication to complete the audit work.

Review of effectiveness

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

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

The Principal has been advised on the implications of the result of their 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 strategic leadership team ("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 and updated risk register termly and considers any recommendations made by the Committee and SLT on risk management and control.

At its December 2020 meeting, the Board of Governors carried out the annual assessment for the year ended 31 July 2020, and taking account of events since 31 July 2020, 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"*.

Approved by order of the members of the Board of Governors on 11 December 2020 and signed on behalf of Sparsholt College Hampshire by:



N Hopkins
Chair of Governors



J Milburn
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 grant funding agreements and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of grant funding agreements and contracts with the ESFA.

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 grant funding agreements and contracts with the ESFA, or any other public funder.

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.



J Milburn
Principal and Accounting Officer

11 December 2020



N Hopkins
Chair of Governors

11 December 2020

Sparsholt College Hampshire

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Funding Agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, the ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the group and the 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 whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Report of the Governing Body 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 Group and the College.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and the College and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 11 December 2020 and signed on its behalf by:



N Hopkins
Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF SPARSHOLT COLLEGE

Opinion

We have audited the financial statements of Sparsholt College Hampshire (the 'College') and its subsidiaries (together referred to as the 'Group') for the year ended 31 July 2020 which comprise the Group and the College Statement of Comprehensive Income, the Group and the College Statement of Changes in Reserves, the Group and the College Statement of Financial Position, the Group Statement of Cash Flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, in all material respects:

- 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 2020 and of the Group's result of expenditure over income for the year then ended. We have taken into account relevant statutory and other mandatory disclosure and accounting requirements, and the requirements of the OfS and other funders;
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- Funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- Funds provided by the OfS, the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- The requirements of the OfS's Accounts Direction have been met.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of the following matter in relation to which the Office for Students requires us to report to you, if in our opinion:

- The College's grant and fee income, as disclosed in note 3 to these financial statements has been materially misstated.

Responsibilities of the Corporation

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



17 December 2020

Buzzacott LLP
Chartered Accountants and Registered Auditor
130 Wood Street
London
EC2V 6DL

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 (ESFA)

In accordance with the terms of our engagement letter dated 26 May 2020 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Sparsholt College during the period 1 August 2019 to 31 July 2020 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 by the ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the Corporation of Sparsholt College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Sparsholt College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Sparsholt College and the ESFA 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 established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. 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 2019 to 31 July 2020 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 by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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 (ESFA) (continued)

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the Group and 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;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the Group and 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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



17 December 2020

Buzzacott LLP
Chartered Accountants and Registered Auditor
130 Wood Street
London
EC2V 6DL

Sparsholt College Hampshire

Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	17,289	17,289	17,314	17,314
Tuition fees and education contracts	3	4,324	4,324	4,267	4,266
Other grants and contracts	4	1,121	1,121	644	644
Other income	5	3,602	3,590	5,175	4,830
Investment income	6	109	109	29	29
Donations and Endowments	7	107	107	-	-
Total income		26,552	26,540	27,429	27,083
EXPENDITURE					
Staff costs	8	15,696	10,251	15,166	12,412
Fundamental restructuring costs	8	3	3	34	34
Other operating expenses	9	8,406	14,103	9,228	11,906
Depreciation	12	2,393	2,393	2,252	2,252
Interest and other finance costs	10	590	590	491	491
Total expenditure		27,088	27,340	27,171	27,095
(Deficit)/Surplus before other gains and losses		(536)	(800)	258	(12)
Profit/(Loss) on disposal of assets		18	18	(25)	(25)
(Deficit)/Surplus before tax		(518)	(782)	233	(37)
Taxation	11	50	-	(53)	(1)
(Deficit)/Surplus for the year		(468)	(782)	180	(38)
Net movement in swaps agreements		(10)	(10)	(32)	(32)
Actuarial loss in respect of pensions schemes	19	(13,514)	(13,514)	(910)	(910)
Total Comprehensive Loss for the year		(13,992)	(14,306)	(762)	(980)

The Statement of Comprehensive Income is in respect of continuing activities.
The accompanying notes form part of these Financial Statements.

Sparsholt College Hampshire

Statement of Changes in Reserves

	Income and Expenditure account		Revaluation reserve	Total
	Unrestricted £'000	Restricted £'000	£'000	£'000
Group				
Balance at 31st July 2018	3,368	20	30,670	34,058
Surplus from the income and expenditure account	180	-	-	180
Other comprehensive loss	(942)	-	-	(942)
Transfers between restricted and unrestricted income and expenditure reserves	20	(20)	-	-
Transfers between revaluation and income and expenditure reserves	1,201	-	(1,201)	-
Total comprehensive surplus/ (loss) for the year	459	(20)	(1,201)	(762)
Balance at 31st July 2019	3,827	-	29,469	33,296
Deficit from the income and expenditure account	(468)	-	-	(468)
Other comprehensive loss	(13,524)	-	-	(13,524)
Transfers between revaluation and income and expenditure reserves	264	-	(264)	-
Total comprehensive loss for the year	(13,728)	-	(264)	(13,992)
Balance at 31st July 2020	(9,901)	-	29,205	19,304
College				
Balance at 31st July 2018	3,368	-	30,670	34,038
Deficit from the income and expenditure account	(38)	-	-	(38)
Other comprehensive loss	(942)	-	-	(942)
Transfers between revaluation and income and expenditure reserves	1,201	-	(1,201)	-
Total comprehensive surplus/ (loss) for the year	221	-	(1,201)	(980)
Balance at 31st July 2019	3,589	-	29,469	33,058
Deficit from the income and expenditure account	(782)	-	-	(782)
Other comprehensive loss	(13,524)	-	-	(13,524)
Transfers between revaluation and income and expenditure reserves	264	-	(264)	-
Total comprehensive loss for the year	(14,042)	-	(264)	(14,306)
Balance at 31st July 2020	(10,453)	-	29,205	18,752

Sparsholt College Hampshire

Statement of Financial Position as at 31 July

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Non Current assets					
Tangible fixed assets	12	58,741	58,741	59,628	59,628
Investments	13	15	16	315	316
		58,756	58,757	59,943	59,944
Current assets					
Stocks	14	465	465	508	508
Trade and other receivables	15	468	449	713	697
Cash and cash equivalents	20	7,661	6,965	5,327	4,901
		8,594	7,879	6,548	6,106
Less: Creditors – amounts falling due within one year	16	(4,462)	(4,300)	(4,518)	(4,315)
Net current assets		4,132	3,579	2,030	1,791
Total assets less current liabilities		62,888	62,336	61,973	61,735
Less: Creditors – amounts falling due after more than one year	17	(14,336)	(14,336)	(14,037)	(14,037)
Provisions					
Defined benefit obligations	19,23	(28,804)	(28,804)	(14,280)	(14,280)
Other provisions	19	(444)	(444)	(360)	(360)
Total net assets		19,304	18,752	33,296	33,058
Unrestricted reserves					
Income and expenditure account		(9,901)	(10,453)	3,827	3,589
Revaluation reserve		29,205	29,205	29,469	29,469
Total reserves		19,304	18,752	33,296	33,058

The accompanying notes form part of these financial statements.

The financial statements on pages 27 to 55 were approved and authorised for issue by the Corporation on 11 December 2020 and were signed on its behalf on that date by:



N Hopkins
Chair of Governors



J Milburn
Principal and Accounting Officer

Sparsholt College Hampshire

Consolidated Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
(Deficit)/ Surplus for the year		(468)	180
Adjustment for non cash items			
Depreciation		2,393	2,252
Change in value of investments		-	(5)
Decrease in stocks		43	18
Decrease/(Increase) in debtors		245	(106)
Decrease in creditors due within one year		(395)	(712)
Increase in creditors due after one year		695	175
Decrease in provisions		(29)	(30)
Pensions costs less contributions payable		814	450
Adjustment for investing or financing activities			
Investment income		(109)	(29)
Interest payable		590	491
(Profit)/ Loss on sale of fixed assets		(18)	25
		<u>3,761</u>	<u>2,709</u>
Net cash flow from operating activities		<u>3,761</u>	<u>2,709</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		27	3
Investment income		409	29
Payments made to acquire fixed assets		(1,192)	(2,514)
		<u>(756)</u>	<u>(2,482)</u>
Net cash flows from investing activities		<u>(756)</u>	<u>(2,482)</u>
Cash flows from financing activities			
Interest paid		(281)	(301)
New unsecured loans		-	85
Repayments of amounts borrowed		(390)	(448)
		<u>(671)</u>	<u>(664)</u>
Net cash flows from financing activities		<u>(671)</u>	<u>(664)</u>
		<u>2,334</u>	<u>(437)</u>
Increase/ (Decrease) in cash and cash equivalents in the year		<u>2,334</u>	<u>(437)</u>
		<u>2,334</u>	<u>(437)</u>
Cash and cash equivalents at beginning of the year	20	5,327	5,764
Cash and cash equivalents at end of the year	20	<u>7,661</u>	<u>5,327</u>

Sparsholt College Hampshire

Notes to the Financial Statements

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 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 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 Group'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 (Andover Town Football Club Limited, Sparsholt College Services Limited and Westley Enterprises Limited) controlled by the Group. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2020.

Going concern

The activities of the Group and 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 Group and the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £4.7m of long-term loans outstanding with bankers and £0.6m long-term loans outstanding with Local Councils on terms negotiated between 2003 and 2014, and a £0.1m long-term loan outstanding with Salix on terms negotiated in 2018. All of these are on unsecured terms.

The impact of Covid-19 on the outturn for 2020/21 remains uncertain depending on how the pandemic progresses and the initial budget approved by the Board of Governors in July 2020 was a deficit budget of £1.7 million. Despite this, given the built up reserves, the cash balance is unlikely to fall below £1.0 million taking account of sensitivities and so no cash flow support is likely to be needed and staff and suppliers can continue to be paid for the foreseeable future.

A deficit at this level would however mean a breach in the College's loan covenants. Positive discussions have been held with our lenders who remain supportive of the College and have indicated that they will not require repayment of their loans should the breach materialise. The lenders may consider other issues such as security or renegotiation of terms, but these would not affect the College's ability to continue as a going concern.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

The College will continue to strive to reduce the level of deficit through good cost control and other measures with the aim of meeting the covenants and there are positive indicators so far in 2020/21 with better than anticipated enrolment of Higher Education students, greater take up of halls of residence than budgeted and 16-18 enrolment for 2020/21 being on a par with 2019/20. This will be monitored via the monthly management reporting process.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for a period of least 12 months from the date of approval of these financial statements. 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 OfS 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 in the Statement of Financial Position 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 as 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 in the Statement of Financial Position 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.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

Investment income

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.

Other income

Other income covers a variety of income sources including catering, residence and conference income, non-government grant income and income from farming activities. Gift aid received by the College from its subsidiaries is also included within other income. Income is stated net of value added tax and is recognised 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. Post-employment benefits for employees commencing employment with Sparsholt College Services Limited after 1 February 2019 are provided by NEST, a government-run defined contribution plan. Contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

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 Statement of Comprehensive Income in the periods during which services are rendered by employees.

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 Statement of Financial Position date. The amounts charged to the Statement of Comprehensive Income 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 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.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

Post-employment benefits for employees transferred from Sparsholt College Hampshire (the "College") to Sparsholt College Services Limited (the "company") on 1 February 2019 are provided by the Local Government Pension Scheme ("LGPS"). Hampshire County Council, the provider of the LGPS scheme has pooled the assets and liabilities of the scheme for employees of the company and the College. This, combined with the legal indemnity provided by the College to the company, has resulted in the LGPS pension liability and assets remaining within the College financial statements and the expense recognised in the company in relation to the LGPS reflecting contributions paid in the period for company employees to the scheme.

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 Group. Any unused benefits are accrued and measured as the additional amount the Group 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 Statement of Financial Position.

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 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 Statement of Financial Position 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 deferred income 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.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

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 on a straight-line basis over its useful economic life as follows:

- building improvements – between 2% and 10% per year
- motor vehicles – 25% per year
- computer and other equipment – 25% per year
- server and server infrastructure - 12.5% per year
- furniture, fixtures and fittings – 10% per year

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.

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. 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.

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

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 Statement of Financial Position 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 the Statement of Income 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 Statement of Financial Position 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 Statement of Financial Position 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.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

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 Group 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 Group 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 Group. 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 Statement of Financial Position 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 Group and 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.
- Determine whether it is appropriate to prepare the financial statements on a going concern basis. The factors used to assess the appropriateness of this methodology have been detailed under the Going Concern section of this Note 1.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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.

- *Impact of Covid-19*

Estimating the impact of Covid-19 on the Group and College's income and expenditure flows for the purpose of preparing cash flow forecasts and budgets to assist in the assessment of going concern.

In addition to the above, the full impact following the emergence of the global coronavirus pandemic is still unknown. It is therefore not currently possible to evaluate all the potential implications for the Group and College's activities, beneficiaries, funders, suppliers and the wider economy.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

2 Funding council grants

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	1,859	1,859	1,778	1,778
Education and Skills Funding Agency - 16-18	13,875	13,875	14,261	14,261
Education and Skills Funding Agency - apprenticeships	503	503	456	456
Office for Students	398	398	524	524
Specific Grants				
Releases of government capital grants	259	259	295	295
Education and Skills Funding Agency - TPS funding	395	395	-	-
Total	17,289	17,289	17,314	17,314

3 Tuition fees and education contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	1,145	1,145	1,103	1,102
Apprenticeship fees and contracts	35	35	51	51
Fees for FE loan supported courses	138	138	188	188
Fees for HE loan supported courses	2,942	2,942	2,815	2,815
International students fees	64	64	110	110
Total	4,324	4,324	4,267	4,266

3a Analysis of total grant and fee income (HE only)

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Grant income from the Office for Students	467	467	583	583
Fee income for taught awards (exclusive of VAT)	2,942	2,942	2,815	2,815
Fee income for non-qualifying course	22	22	40	40
Total	3,431	3,431	3,438	3,438

4 Other grants and contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Other grants and contracts	1,121	1,121	644	644
Total	1,121	1,121	644	644

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

5 Other income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	1,227	1,083	2,132	1,855
Other income generating activities	983	725	1,634	1,356
Gift Aid received	-	300	-	111
Non government capital grants	261	261	208	208
Miscellaneous income	1,131	1,221	1,201	1,300
Total	3,602	3,590	5,175	4,830

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank interest receivable	24	24	28	28
Other investment income	85	85	1	1
Total	109	109	29	29

7 Donations

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Donated Assets	107	107	-	-
Total	107	107	-	-

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

8 Staff costs - Group

The average number of persons (including key management personnel) employed by the Group during the year, on an average headcount basis, was:

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group (restated to headcount)	College
Teaching staff	209	209	219	219
Non teaching staff	279	47	282	162
Total	488	256	501	381

Staff costs for the above persons

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Wages and salaries	11,401	6,954	11,629	9,358
Social security costs	927	610	966	811
Other pension costs (FRS pension charge for year £814,000 £450,000) 2019:	3,200	2,519	2,476	2,148
Payroll sub total	15,528	10,083	15,071	12,317
Contracted out staffing services	168	168	95	95
Staff costs as per Statement of Comprehensive Income and Expenditure	15,696	10,251	15,166	12,412
Fundamental restructuring costs - contractual	3	3	34	34
non contractual	-	-	-	-
Total staff costs	15,699	10,254	15,200	12,446

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the College and are represented by the Strategic Leadership Team which comprises the Principal, Director of Finance, Deputy Principal Curriculum and Deputy 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

	2020	2019
The number of key management personnel including the Accounting Officer was:	4	4

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

	Key management personnel		Other staff	
	2020	2019	2020	2019
£55,001 to £60,000 p.a.	1	-	-	-
£60,001 to £65,000 p.a.	-	-	1	1
£65,001 to £70,000 p.a.	-	1	-	-
£75,001 to £80,000 p.a.	-	2	-	-
£80,001 to £85,000 p.a.	2	-	-	-
£120,001 to £125,000 p.a.	1	1	-	-
	4	4	1	1

Including part time workers grossed up to full time equivalent and staff on maternity, paternity or sickness leave at the usual rate of pay, 3 members of key management personnel were paid in the £80,001 to £85,000 banding in 2020 (2019: 3)

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

8 Staff costs - Group (continued)

Key management personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Salaries	341	352
Benefits in kind	3	3
Pension contributions	<u>72</u>	<u>57</u>
Total emoluments	<u>416</u>	<u>412</u>

The Principal and Deputy Principal - Curriculum are provided with rent free accommodation which is a non taxable benefit as it is required wholly, necessarily and exclusively for the better performance of their duties of employment. The annual values are £27,624 and £20,160 respectively, inclusive of council tax. Utility costs are paid by the Principal and Deputy Principal - Curriculum directly.

The above emoluments include amounts paid to the Principal who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2020 £'000	2019 £'000
Salary	125	125
Benefits in kind	1	1
Pension contributions	<u>29</u>	<u>21</u>
Total	<u>155</u>	<u>147</u>

	2020 £'000	2019 £'000
Principal's basic salary as a multiple of the median of all staff	5.5	5.6
Principal's total remuneration as a multiple of the median of all staff	5.6	5.8

The Governing Body adopted the AoC's Senior Staff Remuneration Code in April 2019 and assesses pay in line with its requirements.

The remuneration package of key management staff, including the Principal, is subject to annual review by the Remuneration Committee which uses benchmarking information from the AOC Senior Pay Survey for colleges of a similar size, complexity and location to provide objective guidance.

The Principal reports to the Chair of the Governing Body, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance, and reports this to the Remuneration Committee and the Governing Body.

Compensation for loss of office paid to former key management personnel

	2020 £	2019 £
Compensation paid to the former post-holder	<u>-</u>	<u>-</u>

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

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	2,437	2,410	3,124	3,094
Non teaching costs	3,070	8,816	3,176	5,916
Premises costs	2,899	2,877	2,928	2,896
Total	8,406	14,103	9,228	11,906

Other operating expenses include:

	Group	Group
	2020	2019
	£'000	£'000
Auditor's remuneration:		
Audit of financial statements*	27	26
Internal audit	15	16
Hire of assets under operating leases	354	341
	<u> </u>	<u> </u>

* includes £24,050 in respect of the College (2019: £24,300)

9a Access and participation expenditure

Expenditure on the OfS approved HE access and participation plan in the year is shown below. No prior year comparatives are available as access and participation plans were not in place prior to 1 August 2019.

	Group
	2020
	£'000
Access Investment	147
Financial support to students	55
Disability support	23
Research & Evaluation	8
Total	233

This expenditure includes £132,000 of staff costs that are intrinsic to the delivery of the plan, and are already included in the Corporation staff costs in Note 8.

The access and participation plan is available at: <https://www.sparsholt.ac.uk/wp-content/uploads/2018/09/HE-Access-and-Participation-Plan.pdf>

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

10 Interest payable - Group and College

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:	<u>281</u>	<u>151</u>
	281	151
Pension finance costs (note 23)	<u>309</u>	<u>340</u>
Total	<u>590</u>	<u>491</u>

11 Taxation - Group only

UK Corporation Tax

	2020 £'000	2019 £'000
Current Tax		
Corporation tax	-	53
Prior year adjustment	<u>(50)</u>	<u>-</u>
Current tax charge	<u>(50)</u>	<u>53</u>

United Kingdom corporation tax is chargeable on the College's commercial activities. Taxable profits earned by the subsidiaries that are gift aided to the College are not subject to corporation tax.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

12 Tangible fixed assets (Group & College)

	Land and buildings		Equipment	Total
	Freehold	Improvements to Freehold Land & Buildings		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2019	55,791	13,911	10,346	80,048
Additions	4	1,154	357	1,515
Disposals	-	-	(1,216)	(1,216)
At 31 July 2020	55,795	15,065	9,487	80,347
Depreciation				
At 1 August 2019	3,687	9,016	7,717	20,420
Charge for the year	755	816	822	2,393
Elimination in respect of disposals	-	-	(1,207)	(1,207)
At 31 July 2020	4,442	9,832	7,332	21,606
Net book value at 31 July 2020	51,353	5,233	2,155	58,741
Net book value at 31 July 2019	52,104	4,895	2,629	59,628

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 financial statements at nil cost and nil net book value.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

13 Non current Investments

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Investments in subsidiary companies	-	1	-	1
Investment property	-	-	300	300
Other investments	15	15	15	15
Total	15	16	315	316

Investment property

One property held as investment property which had been valued on an open market basis by Charters Estate Agents in 2017 was sold in August 2019.

Investments in subsidiary companies

The College owns 100% of the issued share capital of Sparsholt College Services Limited (£1,000). The company was incorporated on 24 October 2018 and commenced trading on 1 February 2019.

Sparsholt College Services Limited was established to provide support services, activities and functions to Sparsholt College Hampshire including but not limited to finance, information technology, human resources, marketing, premises and student support. On 1 February 2019, 352 employees of Sparsholt College Hampshire transferred to the company by legal agreement under the Transfer of Undertakings (Protection of Employment) Regulations 2006 and the company commenced the provision of the services. The contract for this provision of services to Sparsholt College Hampshire has been entered in to for a five year period commencing on 1 February 2019, with yearly renewal thereafter.

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.

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:

- 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

The company was incorporated in 2013 and operates within the United Kingdom.

Investments in subsidiary companies is eliminated in the consolidated financial statements.

Other investments

At 31 July 2020, the College held shares in Genus plc valued at £5,000 which are not intended for sale within the next 12 months. The market value of these shares as at 31 July 2020 was £45,526.

The College has an investment of £10,000 in an EPA organisation, Land Based Assessment Limited. It is a company limited by guarantee and the college is one of 14 college subscribers to the company.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

14 Stocks

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Farm stock	465	465	508	508
Total	465	465	508	508

15 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	92	73	151	130
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	18
Prepayments and accrued income	308	308	500	487
Amounts owed by the ESFA	68	68	62	62
Total	468	449	713	697

16 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	406	406	390	390
Trade payables	873	872	689	684
Amounts owed to group undertakings:				
Subsidiary undertakings	-	103	-	83
Corporation tax	-	-	53	1
Other taxation and social security	517	355	472	327
Accruals and deferred income	2,055	1,953	2,356	2,272
Deferred income - government capital grants	423	423	506	506
Amounts owed to the ESFA	188	188	52	52
Total	4,462	4,300	4,518	4,315

17 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans	4,970	4,970	5,376	5,376
Obligations under finance leases	-	-	-	-
Deferred income - government capital grants	9,175	9,175	8,428	8,428
Other creditors	9	9	61	61
Other financial liabilities (note 18b)	182	182	172	172
Total	14,336	14,336	14,037	14,037

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

18 Maturity of debt

(a) Bank loans and overdrafts - Group and College

Bank loans and overdrafts are repayable as follows:

	2020	2019
	£'000	£'000
In one year or less	406	390
Between one and two years	424	406
Between two and five years	1,304	1,285
In five years or more	<u>3,242</u>	<u>3,685</u>
Total	<u>5,376</u>	<u>5,766</u>

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 2020 and 10 August 2026.

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 2020 and 3 August 2035.

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 2020 and 19 December 2028.

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 2020 and 17 December 2029.

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 2020 and 17 December 2029.

A long term interest free loan totalling £199,718 with Salix was taken out in January 2018 with the final advance of £85,047 being received in October 2018. This is repayable in biannual instalments falling due between 1 August 2020 and 1 April 2023.

All loans are advanced on unsecured terms.

(b) Other financial liabilities - Group and College

	2020	2019
	£'000	£'000
Amounts falling due after more than 1 year		
Swaps agreements	<u>182</u>	<u>172</u>
Total	<u>182</u>	<u>172</u>

The NatWest loan agreement taken out in December 2013 incorporates a Swaps Agreement which is valued at £181,604 (2019: £171,865) at the year end.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

19 Provisions

	Group and College		Total
	Defined benefit Obligations	Enhanced pensions	
	£'000	£'000	
At 1 August 2019	14,280	360	14,640
Expenditure in the year	1,115	(21)	1,094
Actuarial loss	13,409	105	13,514
At 31 July 2020	28,804	444	29,248

Defined benefit obligations relate to the liabilities under the Group'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 Group's employment and commitments for reorganisation costs from which the Group cannot reasonably withdraw at the Statement of Financial Position date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2020	2019
Discount rate	1.4%	2.2%
Inflation assumption (CPI)	2.2%	2.2%

20 Cash and cash equivalents - Group

	At 1 August 2019	Cash flows	At 31 July 2020
	£'000	£'000	£'000
Cash and cash equivalents	5,327	2,334	7,661
Total	5,327	2,334	7,661

21 Capital commitments

	Group and College	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	1,422	271

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

22 Lease Obligations

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

	Group and College	
	2020	2019
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	230	270
Later than one year and not later than five years	1,073	1,073
Later than five years	<u>3,428</u>	<u>3,697</u>
Total	<u><u>4,731</u></u>	<u><u>5,040</u></u>
Other		
Not later than one year	140	186
Later than one year and not later than five years	151	130
Later than five years	<u>-</u>	<u>-</u>
Total	<u><u>291</u></u>	<u><u>316</u></u>

23 Defined benefit obligations

The College Group's employees belong to three principal post-employment benefit plans:

1. Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, this is a multi-employer defined-benefit plan.
2. Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hampshire County Council, and is a multi-employer defined-benefit plan.
3. NEST - post-employment benefits for employees commencing employment with Sparsholt College Services Limited after 1 February 2019 are provided by NEST, a government-run defined contribution plan. Contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

	2020	2019
	£'000	£'000
Total Group pension cost for the year		
Teachers Pension Scheme: contributions paid	1,149	826
Local Government Pension Scheme:		
Contributions paid	1,214	1,200
FRS 102 (28) charge	<u>814</u>	<u>450</u>
Charge to the Statement of Comprehensive Income	2,028	1,650
NEST Scheme: contributions paid	23	1
Enhanced pension charge to Statement of Comprehensive Income	<u>-</u>	<u>(1)</u>
Total Group pension cost for the year	<u><u>3,200</u></u>	<u><u>2,476</u></u>

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

Contributions amounting to £271,000 (2019: £234,000) were payable to the scheme and are included in creditors.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

23 Defined benefit obligations (continued)

Teachers' Pension Scheme

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

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

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

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

The pension costs paid to TPS in the year amounted to £1.1 million (2019: £0.8 million)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hampshire County Council. The total contribution made for the year ended 31 July 2020 was £1.5 million of which group employer's contributions totalled £1.2 million and group employees' contributions totalled £0.3 million. The agreed contribution rates for future years are 21.8% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.0%	2.0%
Future pensions increases	2.2%	2.2%
Discount rate for scheme liabilities	1.4%	2.2%
Inflation assumption (CPI)	2.2%	2.2%

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 2020 years	At 31 July 2019 years
<i>Retiring today</i>		
Males	23.0	23.1
Females	25.5	25.8
<i>Retiring in 20 years</i>		
Males	24.7	24.7
Females	27.2	27.6

The Group's share of the assets in the plan at the year end were:

	Fair Value:	
	At 31 July 2020 £'000	At 31 July 2019 £'000
Equities	20,147	20,601
Property	2,235	2,464
Bonds	7,619	7,049
Cash	586	650
Other	6,044	3,456
	<u>36,631</u>	<u>34,220</u>
Total market value of assets	36,631	34,220
Actual return on plan assets	1,867	2,120

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

The amount included in the Statement of Financial Position in respect of the defined benefit pension plan is as follows:

	2020 £'000	2019 £'000
Fair value of plan assets	36,631	34,220
Present value of plan liabilities	<u>(65,435)</u>	<u>(48,500)</u>
Net pensions liability (Note 19)	<u>(28,804)</u>	<u>(14,280)</u>

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	2,040	1,540
Past service cost	<u>-</u>	<u>110</u>
Total	<u>2,040</u>	<u>1,650</u>

Amounts included in interest payable

Net interest cost	<u>301</u>	<u>330</u>
Total	<u>301</u>	<u>330</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	1,108	1,230
Experience losses arising on defined benefit obligations	<u>(14,517)</u>	<u>(2,130)</u>
Total	<u>(13,409)</u>	<u>(900)</u>

Movement in net defined benefit liability during the year

	2020 £'000	2019 £'000
Deficit in scheme at 1 August	(14,280)	(12,600)
Movement in year:		
Current service cost	(2,040)	(1,540)
Employer contributions	1,226	1,200
Past service cost	-	(110)
Net interest on the defined liability	(301)	(330)
Actuarial loss	<u>(13,409)</u>	<u>(900)</u>
Net defined benefit liability at 31 July	<u>(28,804)</u>	<u>(14,280)</u>

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	48,500	43,950
Current Service cost	2,040	1,540
Interest cost	1,060	1,220
Contributions by Scheme participants	310	330
Experience gains and losses on defined benefit obligations	14,517	2,130
Estimated benefits paid	(992)	(780)
Past Service cost	-	110
	<u>65,435</u>	<u>48,500</u>
Reconciliation of Assets		
Fair value of plan assets at start of period	34,220	31,350
Interest on plan assets	759	890
Return on plan assets	1,108	1,230
Employer contributions	1,226	1,200
Contributions by Scheme participants	310	330
Estimated benefits paid	(992)	(780)
	<u>36,631</u>	<u>34,220</u>

Within the year ended 31 July 2019 accounts there was a past service cost of £630,000 in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. The calculation of adjustment to past service costs arising from the outcome of the Court of Appeal judgment was based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI.

Sparsholt College Hampshire

Notes to the Financial Statements (continued)

24 Related party transactions

Owing to the nature of the Group'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 including apprenticeship placements. All transactions involving such organisations are conducted at arm's length and in accordance with the Group's financial regulations and normal procurement procedures.

During the year, the College made £77,000 (2019: £79,000) of loan repayments to Test Valley Borough Council in respect of loans from Test Valley Borough Council and Hampshire County Council. William Fullbrook, a co-opted member of the College's Audit Committee until 3rd October 2020, is the Head of Finance at Test Valley Borough Council. The College also paid £18,000 (2019: £18,000) to Test Valley Borough Council for the annual rental of the Portway Football Stadium.

During the year, the College paid £114,000 (2019: £106,000) for course/programme fees to University of Portsmouth. Sarah Duckering, a co-opted member of the Curriculum, Employers & Market Requirements Committee, is the Director of Research & Innovation Services at the University of Portsmouth.

During the year, the College received £1,150,000 (2019: £764,000) in capital grants, £190,000 (2019: £nil) in respect of a revenue grant for the Innovation South Virtual Campus, and incurred application fees of £10,000 from Hampshire County Council Enterprise M3 Partnership of which Tim Jackson, Principal of the College until 31st July 2020, is a board member.

The total expenses paid to or on behalf of the Governors during the year was £422: 6 Governors (2019: £406; 5 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 (2019: None).

25 Amounts disbursed as agent - Learner support funds

	2020	2019
	£'000	£'000
Funds brought forward	233	139
16-18 bursary grants	636	648
Other funding body grants	233	277
	<u>1,102</u>	<u>1,064</u>
Disbursed to students	(576)	(606)
Administration costs	(19)	(45)
	<u>507</u>	<u>413</u>
Balance unspent as at 31 July, included in creditors	<u>507</u>	<u>413</u>

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.