

Annual Report & Financial Statements

Year Ended 31 July 2025

CREATING BETTER FUTURES

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Reference and Administrative Details

Board of Governors

A full list of Governors is given on page 16 of these Financial Statements.
Georgina Flood acted as Director of Governance throughout the period.

Key Management Personnel

Key management personnel were represented by the following in 2024/25:

Andrew Kaye	CEO; Accounting Officer
Pete Joddrell	Deputy Chief Executive/ Group Principal
Danielle Jiranek	Deputy CEO - People & Resources
Michael Johnson	Chief Finance Officer
Anoushka Ottley	Executive Director of Business & Civic Partnerships
Ben Sheridan	College Principal - Fareham
Rosie Sharp	College Principal - Eastleigh
Neala Whybrow	College Principal - Southampton
Tracey McAdam	Director of Safeguarding
Neil McQueen	Group Director of IT
Justin Etheridge	Group Director of Estates & Facilities
Samantha Taite	Group Director of Finance, Procurement and Student Financial Services
Mark Smith	Group Director of MIS
Tanya Richardson	Assistant Principal of Quality & Student Experience
Beth Challoner	Director of Apprenticeships
Jo Landon	Director of Adults, HE, Online & Commercial
Corinna Knox	Director of Marketing, Careers & Communications
Louise Mortimer	Director of HR, Payroll and Recruitment
Georgina Flood	Director of Governance

Principal and Registered Office

Bishopsfield Road
Fareham
Hampshire
PO14 1NH

Professional Advisers

External auditors:

Buzzacott Audit LLP
130 Wood Street
London
EC2V 6DL

Internal auditors:

Validera Head office
Unit 3 Crompton Court
Attwood Road
Burntwood
Staffordshire
WS7 3GG

Bankers:

Barclays Bank plc
Wytham Court
11 West Way
Oxford
OX2 0JB

Solicitors:

Eversheds Sutherland
1 Wood Street
London
EC2V 7WS

South Hampshire College Group Strategic Report

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditors report for South Hampshire College Group for the year ended 31 July 2025.

Legal status

The Corporation was established and incorporated under the Further and Higher Education Act 1992 for the purpose of conducting the South Hampshire College Group. The College Group is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Merger

On 1 August 2023, Eastleigh College and Southampton City College dissolved their activities, assets and liabilities; transferring to Fareham College which was renamed South Hampshire College Group (SHCG - 'The College Group') under a Type B merger. On that date, an SHCG Senior Leadership Team was formed, with responsibilities for discharging Senior Leadership Team responsibilities for the former colleges transferring to the SHCG team.

Our purpose

Our purpose is who we are and the role we are here to fulfil. Our purpose brings value through increased employee engagement and higher levels of productivity.

Our purpose is timeless, whereas our mission (what we do day-by-day) can change – it's influenced by our external environment, changes in government priorities and regional competition.

Our purpose is:

- Creating better futures.

Our mission

To enable all our students and apprentices, and our region's businesses to be successful in their future, achieving their highest aspirations and standards, through exemplary technical and professional education and training.

Our vision 2026

By 2026

- We will lead a better distributed, accessible, and collaborative group of South Hampshire Colleges.
- Through this, and with the commitment of our highly valued people, we will provide excellence in professional and technical education and training across a wide community of students and employers in the Solent region.
- Our work will support the skills needs of employers and improve regional productivity, economic development and social mobility.
- We will be an agile organisation. Constantly developing and improving.
- We will be responsive to policy and reforms in further education and be adaptive to the changing needs of the region's employers.
- We will be a financially resilient and sustainable Further Education college, valuing the need to invest in our people and infrastructure.

South Hampshire College Group Strategic Report

Our Culture

Our culture is our personality and character; it is made up of our shared values, how our people behave and interact, how decisions are made and how we approach our work. The way in which we approach our work is as important to our people our students and our communities as the work we do.

Our organisational culture is the golden thread connecting everything we do; it's led by the Board and the Executive and Group Leadership Team, and embedded in the work we carry out with our people, our students and our wider stakeholders.

We are proud to be SHCG because we are deeply committed to our purpose and strongly believe in our values.

- *Collaborative.* We recognise we are stronger together and greatly benefit from working in partnership, within and outside the college.
- *Inclusive.* We are individually and collectively, proactively inclusive. We always treat others with respect, value diversity and ensure we are supportive of one another.
- *Aspirational.* We aim to create better futures with high expectations, professional standards and innovative approaches.

Our strategic priorities

- Provide outstanding education, training and support
- Benefit employers' skills needs
- Sustainable, agile and resilient

And, two cross-cutting themes:

- Diversity, equity and inclusion
- Sustainability goals

Implementation of strategic plan

Following the merger on 1 August 2023 a strategic plan for the period to 2026 was adopted.

The Corporation monitors the performance of SHCG against this plan and the plan is reviewed and updated each year.

In May 2025 the Corporation reviewed progress made against the Strategic Plan and its on-going relevance to the current context in which SHCG operates.

It concluded that the strategic plan, in its current form, continues to provide clear direction for near-term merger consolidation, systems integration, and people development. The plan has the relevant emphasis on prioritising delivery of high-quality education, outstanding support for students and meeting employers' skills needs.

RESOURCES

SHCG operates across 6 campuses, has 4,194 full-time students, 9,652 part-time students, 204 higher education students and 1,725 apprentices. The Group employs 795 staff.

Since merger, SHCG has invested c £10m in its estate. This is a combination of merger grant funding from the Department for Education (DfE), T-Level capital funding and the creation of an Institute of Technology at the Southampton campus.

South Hampshire College Group Strategic Report

Financial

The Group has £42.032m of net assets at 31 July 2025 (2024: £44.384m).

People

The Group employed an average of 795 people (2024: 791) of whom 401 are teaching staff (2024: 389).

Reputation

SHCG plans to build on the reputation of the former colleges to develop an excellent reputation locally and nationally. A quality brand is essential for the Group's success at attracting students and external relationships.

The result of the Ofsted inspection in April 2025 (see below) which resulted in a Good for overall effectiveness and every sub-category and concluded that 'the college makes a strong contribution to meeting skills needs' has already enhanced SHCG's reputation.

Financial objectives

The merger grant funding agreement between the Department for Education (DfE) and SHCG includes the following objectives to be achieved by the end of 2025/26:

- To have a financial health score of Good
- To reduce staff costs as a percentage of income from 74.8% (2022/23 assuming the 3 colleges were merged a year before they were) to 66%
- To improve educational EBITDA from negative £3.8m to positive £1.2m.

Through the PIMS process (Post Intervention Monitoring Support) we have agreement that our staff cost as a percentage of income will reduce to 69%. The other two objectives will be met.

Performance indicators

SHCG is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website as well as nationally prepared data sets such as MiDES to assess its performance against like organisations. Both sets of data look at measures such as success rates. SHCG is required to complete the annual Finance Record for the DfE. Using the DfE's calculator, SHCG has assessed itself as having a "Requires Improvement" financial health grading.

The Corporation monitors the performance of the Executive using a variety of key performance indicators including:

- Learner success rates
- Learner destinations
- Satisfaction survey - learners
- Satisfaction survey - employers
- Satisfaction survey - parents
- Financial performance
- Capital project progress.

The College closely monitors Educational EBITDA for the purposes of cash flow planning.

South Hampshire College Group Strategic Report

Stakeholders

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

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local authorities
- The local community
- Other FE institutions
- Trade unions
- Professional bodies
- Bankers

DEVELOPMENT AND PERFORMANCE

Financial results

SHCG generated a deficit before other gains and losses in the year of £973k (2024: surplus of £12,164k), this as a total reduction in overall reserves of £2,352k.

The total comprehensive income is stated after accounting for actuarial losses in respect of defined benefit pension schemes.

Developments

Tangible fixed asset additions for equipment purchased during the year amounted to £3,148k (2024: £2,816k).

SHCG has a two-year programme of estate-related projects to upgrade much of the estate and either demolish or sell surplus buildings. The work will also see some rationalisation of curriculum provision which is duplicated between Southampton and Eastleigh. Works carried out over the summer of 2025 include:

- Demolition of E-Block at Eastleigh (which was fully impaired in the prior year)
- Creation of Centres of Excellence; Plumbing and Carpentry at Eastleigh, Engineering at Southampton
- The re-housing of Marine provision, previously being delivered off-main campus at the Marine Skills Centre, to the main Southampton campus with planned sale of the Marine Skills Centre
- Significant improvement works to C-Block at Fareham
- Cladding including window replacement works at A, B and C-Blocks at Eastleigh.

Reserves

SHCG has accumulated reserves of £42m and cash balances of £7.77m as at 31 July 2025 (2024: accumulated reserve £44.4m and cash balances £7.23m).

Sources of Income

SHCG has significant reliance on the DfE for its principal funding source, largely from recurrent grants. In 2025 the DfE provided 89% of SHCG's total income (2024: 89%).

South Hampshire College Group Strategic Report

KEY PERFORMANCE INDICATORS

SHCG's leadership team and governors monitor performance against the strategic priorities as set out in the strategic plan, as well as a suite of 41 KPIs reported to the PIMS team. At the meeting with the PIMS team on 30th September 2024, it was agreed that many of the KPIs had been achieved and so the number being monitored throughout 2024/25 was reduced to 9. At the most recent meeting (10th July 2025) the PIMS team agreed that all KPIs had been met and once they have reviewed the CFFR (College Financial Forecasting Return) over the summer, they will confirm we have exited the PIMS process earlier than planned.

In addition, a detailed Quality Improvement Plan (QIP) related to the performance of the curriculum and quality is maintained by the leadership team and monitored by the Governors' Curriculum and Quality Committee.

Student achievements

- Outcomes for 16-18-year-olds are 79.5% (2023/24 81.6%). The slight decline relates to a large number of students on functional skills which has a low national rate.
- Outcomes for adults are 76.9% (2023/24 81.2%). The slight decline relates to a large number of on-line students on functional skills which has a low national rate
- The overall achievement rate (Class Based) is 78.1%.
- The overall achievement rate for apprentices is 60.7%
- GCSE maths 9-4 rate for 16-18-year-olds is 16.4%, higher than the 2023/24 profile of 14.7%.
- GCSE English 9-4 rate for 16-18-year-olds is 20.8%, higher than the 2023/24 profile of 19.8%.
- Despite an overall decline in achievement rate, the achievement of high grades has increased compared to last year

In April 2025, SHCG was subject to a full Ofsted Inspection. The resulting report gave Good for overall effectiveness and every sub-category and concluded that 'the college makes a strong contribution to meeting skills needs.'

FUTURE PROSPECTS

Developments

SHCG will be a regional anchor institution through our continued leadership roles in:

- The South Coast Institute of Technology and the roll-out of Higher Technical Qualifications
- Our role in the development of the initial waves of T-Levels and Transition to T-Levels programmes
- Development of the Solent Local Skills Improvement Plan and our leadership role in the Local Skills Improvement Fund.

SHCG's excellent links with employers enable us to support students' industry placement options, and workforce industry exchange programmes for teaching staff provide students and staff with insight to current industry standards, open doors to apprenticeships and employment, share equipment and work collaboratively.

Our ability to meet the government policy in the FE Whitepaper, 'Skills for Jobs, Lifelong Learning for Opportunity and Growth' is deeply embedded in the way we work:

- Putting employers at the heart of the system
- Investing in higher technical qualifications
- Making sure people can access training and learning throughout their lives

Supporting excellent teaching in further education.

South Hampshire College Group Strategic Report

Our strategic plan aims to build further on these strengths for the benefit of the wider community of the South Hampshire region, continuing to work collaboratively with a range of education providers at secondary, further and higher education level.

It is through this collaboration that school leavers, local and regional employers and their employees will benefit greatest from the potential of further education. Through the course of our strategic plan, SHCG intends to lead these collaborations and remain open to developing the group structure further through additional college-to-college merger, over time further consolidating the current competitive post-16 landscape to a better distributed, larger, more coherent and collaborative college group.

Treasury policies and objectives

Treasury management is the management of SHCG'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.

SHCG has a separate treasury management policy in place.

Cash flows and liquidity

There was a net decrease of £2.16m in cash flow from operating activities (2024: increase £10.70m). After servicing debt and a capital programme, there was a net cash inflow of £544k (2024: inflow of £771k).

SHCG has no debt.

Reserves Policy

SHCG has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures adequate reserves to support the Group's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £31,744k (2024: £33,587k). SHCG recognises the importance of maintaining sufficient reserves to enable it to meet its short-term financial obligations in the event of an unexpected revenue shortfall. It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

Going Concern

In the two years post-merger (2023/24 and 2024/25) SHCG's cumulative educational EBITDA is (£1,196k), £3,239k better than the financial plan that underpinned the merger assumed.

Our results for 2024/25 mean we remain with a DfE Financial Health Score of Requires Improvement (160 points out of 300) exactly as planned in the merger financial plan.

The CFFR we submitted to the DfE in July 2025, forecasts Educational EBITDA of £1.6m for both 2025/26 and 2026/27, resulting in Good financial health.

As a result of our strong financial and operational performance, we have exited the DfE/FE Commissioner Post Intervention and Monitoring Support (PIMS) process earlier than planned.

In 2025/26:

- Our full-time, 16-18 recruitment is currently 4,275 compared to an allocation of 4,243.
- Our T-Level recruitment (487) is less than allocation (514), but a larger clawback has already been factored into the budget.
- Our apprenticeship starts for the first quarter are on budget.
- Our staff cost budget assumed we would need to make in-year savings of £650k and we have already exceeded this target by £200k and have firm plans in place to achieve further savings.
- Our budget includes contingencies of c. £1m.

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The management team review financial performance via monthly management accounts (which includes a cashflow forecast) which are discussed at Resources Committee and shared with the whole Corporation.

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

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

SHCG has well-developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect SHCG's assets, reputation and financial stability. The Corporation has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A risk register and Board Assurance Framework is maintained at Group level. All risks are assigned to Board Committees to ensure adequate scrutiny. The Board Assurance Framework identifies the key risks, the likelihood of those risks occurring, their potential impact on SHCG, the actions being taken to reduce and mitigate the risks and the relevant assurances in place to provide for good governance and oversight of risk management. Risks are prioritised using a consistent scoring system. In August 2024, our internal auditors carried out a review of risk management and their report identified substantial assurance. On 8th July 2025, our Risk Management Group held a risk workshop where we considered risks facing SHCG in 2025/26; the below table shows the risks which are currently being monitored on our risk register and controls in place to mitigate:

Risks	Example of controls to mitigate risk
Fail to ensure the Group's financial resilience.	<ul style="list-style-type: none">Financial regulations and control procedures to ensure minimise the risk of non-compliance of the financial handbook.A review of Key Financial Controls in each year of the annual plan of internal auditor work.Financial strategy is to drive-up cash days.
Failure to protect against cyber security incidents and to ensure data integrity and compliance.	<ul style="list-style-type: none">Implement mandatory, cyber security training for all employees. Increased simulated phishing exercises and guidance.Enforce strong password policies, require multi-factor authentication for all critical systems.
Failure to safeguard and protect students (and staff) in relation to health, harm or abuse.	<ul style="list-style-type: none">Safeguarding policies and procedures in place, are communicated, accepted, and understood by staff.Cyclical and mandated staff safeguarding training.
Inability to attract, retain and develop our people.	<ul style="list-style-type: none">Regular review of terms and conditions of employment and focus on fair and reasonable pay awards and market supplements

Risks	Example of controls to mitigate risk
	<ul style="list-style-type: none"> • Succession planning for key roles
Inability to provide effective leadership, oversight and decision-making to fulfil key governance responsibilities.	<ul style="list-style-type: none"> • Clearly defined Board/Committee structure in place that is reflective of the Group's strategy. • Board make-up, knowledge and experience is subject to cyclical review to ensure gaps are addressed (either through development, appointment or advisors).
Failure to deliver a high-quality teaching experience for students.	<ul style="list-style-type: none"> • SAR and KPI processes review the quality of learning provision, including regular monitoring and reporting of Quality Improvement Plans. • College leaders' meetings to facilitate sharing of learning and innovation including opportunities to communicate outcomes or best practice working methods.
Failure to deliver projects on time, within scope or within budget.	<ul style="list-style-type: none"> • Establish and document a comprehensive project governance process applicable to all projects, regardless of size or type. • Develop and communicate a RACI matrix for every project, explicitly differentiating between Project Managers, Project Administrators, Project Sponsors, and other key roles.
Failure to comply with legal and regulatory requirements or adapt to policy changes.	<ul style="list-style-type: none"> • The Group regularly reviews national and regional curriculum updates to anticipate and prepare for reforms. • Policies and Procedures on legal and regulatory requirements are up to date, approved and communicated to all key staff.
Not effectively preparing for and responding to disruptive incidents, ranging from natural disasters, public health emergency, loss of a site or a critical system.	<ul style="list-style-type: none"> • Clearly defined Business Continuity roles and responsibilities which are communicated and understood. • Regular emergency response drills (lockdowns, evacuations) at campus level and annual scenario planning drill to test the Business Continuity Plan and the College Emergency Response Plan.
Failure to utilise and maximise the use of technology to create a more efficient and effective provision of services to students and stakeholders.	<ul style="list-style-type: none"> • The Group's culture encourages technology innovation. • A Group-wide Digital and Technology Strategy is in place, setting out a clear vision, priorities, and investment roadmap
Student recruitment declines and/or is less than planned.	<ul style="list-style-type: none"> • Data that tracks all stages of the student journey so we can take corrective action/introduce enhanced practices at high- risk points in the process.

Risks	Example of controls to mitigate risk
	<ul style="list-style-type: none"> Embrace technologies/practices used to enhance the customer journey in other sectors.

OTHER INFORMATION

Public Benefit

SHCG 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 Governing Body, who are trustees of the charity, are disclosed on page 16. In setting and reviewing SHCG's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, SHCG provides identifiable public benefits through the advancement of education to c. 15,775 students. SHCG provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. SHCG adjusts its courses to meet the needs of local employers and provides training to apprentices. SHCG is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

Equality

SHCG aims to ensure that all actual or potential employees and students are treated equally, regardless of age; disability; gender reassignment; marriage and civil partnership; pregnancy or maternity; race; religion or belief; sex; sexual orientation; socio-economic disadvantage; trade union activity; unrelated criminal convictions; other irrelevant criteria. We strive vigorously to remove conditions which place people at a disadvantage, and we will actively combat bigotry. SHCG's Equality Policy is resourced, implemented and monitored on a planned basis. It is published on our Intranet site.

SHCG publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

SHCG provides a range of support to our employees from application stage including a guaranteed interview for people with disabilities who meet the essential criteria for the job, and we provide reasonable adjustments where required and reasonable. Where an existing employee becomes disabled, every effort is made to support the employee to continue in their employment with the Group. SHCG's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Gender Pay Gap

	Year ending 31 March 2025
Mean gender pay gap	+9% (Male v Female)
Median gender pay gap	+13% (Male v Female)
Mean bonus gender pay gap	N/A
Median bonus gender pay gap	N/A
Proportion of males/females receiving a bonus	N/A

South Hampshire College Group Strategic Report

The proportion of males and females in each quartile of the pay distribution are:

	Males	Females
1 - Lower quartile	28%	72%
2	28%	72%
3	34%	66%
4 – Upper quartile	55%	45%

SHCG publishes its annual gender pay gap report on its website.

Disability statement

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

- a) Working with Local Authorities to ensure facilities are adapted to meet the needs of students with disabilities.
- b) SHCG has appointed an Additional Learning Support Manager, who provides information, advice and arranges support where necessary for students with disabilities.
- c) SHCG has access to specialist equipment which can be made available for use by students and a range of assistive technology is available in the learning centres.
- d) Admissions policies are published on the Group website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) SHCG has appointed specialist staff to support students with learning difficulties and, or, disabilities. There are a number of learning support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and, or, disabilities.
- f) Specialist programmes are described in our prospectus, and achievements and destinations are recorded and published in the standard SHCG format.
- g) Counselling and welfare services are described in the online student learning area, which is available to students together with the Complaints and Disciplinary Procedure.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations 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. During the accounting period 1 August 2024 to 31 July 2025, SHCG paid 75 per cent of its invoices within 30 days. SHCG incurred no interest charges in respect of late payment for this period.

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Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require SHCG to publish information on facility time arrangements for trade union officials.

Numbers of employees who were trade union representatives for this period	6
FTE employee number	6

Total cost of facility time	£15,022
Total pay bill	£31,224k
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
Percentage of time	Number of employees
0%	-
1-50%	-
51-99%	-
100%	6

Events after the end of the reporting period

On 31 October, SHCG completed on the sale of the Marine Skills Centre, Woolston, Southampton. This was a planned sale in line with the merger plan to reduce down the size of the estate at Southampton. The curriculum provision that was being carried out in this building has been transferred to a building on the main Southampton campus. The Marine Skills Centre was fully impaired in the previous year's financial statements.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 10 December 2025 and signed on its behalf by:



Stephen Marston
Chair

SOUTH HAMPSHIRE COLLEGE GROUP STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of SHCG to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2024 to 31 July 2025 and up to the date of approval of the annual report and financial statements.

GOVERNANCE CODE

In carrying out its responsibilities, SHCG endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty, and leadership);
2. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code").

In the opinion of the Governors, SHCG complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2025. This opinion is based on an internal review of compliance with the Code.

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges.

THE CORPORATION

The governance framework

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

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

The Corporation conducts its business through several committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit & Risk, Resources, Curriculum and Quality, Governance and the Senior Postholder (SPH) Remuneration Committee. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the Group website www.shcg.ac.uk or from the Director of Governance at the Group's registered address.

The Director of Governance maintains a register of financial and personal interests of the governors. The register is also available on the website www.shcg.ac.uk.

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation 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 and Accounting Officer are separate.

Members of the Corporation

	Date appointed	Current Term of office	Date resigned	Status of appointment	Attendance 2024-25
Jenesse Alozie	1.8.24	1.8.24 – 31.7.27		Independent	(7/9) 78%
Frances Butler	1.8.23	1.8.23 – 31.7.25	31.7.25	Independent	(4/9) 44%
Nick Cheaney	1.8.24	1.8.24 – 31.7.27		Independent	(7/9) 78%
Ian Harris	1.8.23	1.8.23 – 31.7.26		Independent	(9/9) 100%
Sarah Harder-Collins	1.8.23	1.8.23 – 31.7.26		Independent	(6/9) 67%
Claire Hammond	1.8.25	1.8.25 – 31.7.28		Independent	N/A
Andrew Kaye	1.8.23	N/A		Ex-officio (CEO)	(9/9) 100%
Greg Kitchen	1.9.24	1.9.24 – 31.8.27		Staff	(8/9) 89%
Irene Tichy	1.8.23	1.8.23 – 31.7.25	15.10.24	Independent	(0/2) 0%
Julia Martin	1.8.23	1.8.23 – 31.7.26	14.8.24	Independent	(0/0) N/A
Emily Morey	1.8.23	1.8.24 – 31.7.27		Independent	(7/9) 78%
Collins Ntim	1.8.23	1.8.23 – 31.7.25	31.7.25	Independent	(9/9) 100%
Colin O'Donoghue	1.8.23	1.8.25 – 31.7.28		Independent	(7/9) 78%
Sandra Prail	1.8.23	1.8.23 – 31.7.26	31.7.25	Independent	(9/9) 100%
Caroline Perrett	1.9.24	1.9.24 – 31.8.27		Staff	(7/9) 78%
Hollie Swift	1.8.24	1.8.24 – 31.7.27		Independent	(6/9) 67%
Bernie Topham	1.8.23	1.8.23 – 31.7.25	4.12.24	Independent	(1/3) 33%
Andy Wannell	1.8.23	1.8.23 – 31.7.26		Independent	(8/9) 89%
Phillip Wright	1.8.24	1.8.24 – 31.7.27		Independent	(8/9) 89%

A newly constituted Corporation was elected when SHCG was formed on 1 August 2023. Members were selected by merit based on skills and experience. Members include a combination of members from legacy Corporations of Eastleigh, City College Southampton and Fareham as well as external appointments.

As in interim measure at merger, Sandra Prail (National Leader of Governance) was appointed as 'transitional' Chair by the FEC. Recruitment for a permanent replacement took significantly longer than anticipated however Stephen Marston took up post on 1 September 2025.

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office of up to, but not exceeding three years.

The following appointments were made during this financial year;

Governor	Appointment Date
Hollie Swift	1.8.24 – 31.7.27
Nick Cheaney	1.8.24 – 31.7.27
Jennese Alozie	1.8.24 – 31.7.27
Phillip Wright	1.8.24 – 31.7.27
Clare Hammond	1.8.25 – 31.7.28
Ashley Cooper	1.8.25 – 31.7.28

Corporation performance

SHCG is committed to good governance and continual improvement. To support this intention, it engaged NCVO to provide an independent evaluation of governance, board practice and performance. This is in line with the requirement for three-yearly external review, and builds upon the existing framework of self-assessment and quality improvement which SHCG has developed since the establishment was formed.

The purpose of the review which took place during the period May – July 2025 was to:

- Assess current governance structures, processes and culture at SHCG against the Association of Colleges (AoC) Code and with consideration of the Charity Governance Code (CGC)
- Understand in more depth the experience of board members and the staff team that report to them.
- Consider changes which may improve practice and create more effective governance for SHCG

In this work, NCVO used the 2025 edition of the AoC Code, and the 2020 edition of the CGC, which is widely recognised as establishing the standard for good governance of charities registered in England and Wales.

NCVO's report states "our overall reflection from our engagement with South Hampshire College Group (SHCG) is of an organisation that has experienced significant change through the merger process, but which has developed effectively and is ready to move away from the transition period and into a mode of high-performing stability. We have seen evidence of passionate governors and senior staff who are deeply committed to the organisation's aims to deliver strong and high-quality education to a diverse community, and who want to engage in good governance

Governor's individual training and development is given due priority. All Governors are expected to take part in annual self-assessment appraisals followed by 121 conversations with the Chair. A 180-degree feedback mechanism is in place for the Chair of the Corporation with 121 feedback provided by the Chair of the Audit & Risk Committee.

Governors are encouraged to maintain good levels of knowledge and understanding in all areas of Governance and maintain awareness of sector changes. Regular bulletins of training opportunities and events as well as sector updates are circulated by the Director of Governance.

The Corporation maintains an ongoing subscription to the ETF Governor Development Training Programme for access by all Governor's. Individual training logs are maintained.

National Leader of Governance Sandra Prail remained in the role of Chair of SHCG on a transitional basis until 31 July 2025 - permanent Chair (Stephen Marston) was recruited in year and will take up post on 1st September 2025. A significant and thorough induction has been planned and is underway to support Stephen in his new role. Additionally an allocation 5 days FEC mentoring support with Sandra has been secured to ensure that an overlap of support is available should this be required.

The Director of Governance has particular focus on developing their skills and maintaining knowledge. They work within the sector to develop their knowledge and experience using their network to expand their understanding, Georgina is co-chair of the SE Governance Professional Network for the South East. A list of their attended training for the financial year can be found below.

Director of Governance

National Governance Professional Network Awayday October 2024 plus x 4 meetings in-year
Co-Chair SE Network Events (4 per year)
Stone King Webinar: How Colleges are using their governance review outcomes as an opportunity to enhance the contribution that governance makes, 09/10/24 11-12 noon
ETF Continuing Support: The Governance Professional's role in developing the Board 21/11/24
Guest Speaker at GP Expert Course – Merger - 09/12/24 11.55 - 12.40 pm
Guest Speaker at GP National Conference – Self Assessment - 22/01/25
Eversheds Legal Refresher for Education Institutions - 05/06/25 11-12 noon

Resources Committee

Throughout the year ending 31 July 2025 SHCG's Resources Committee comprised 5 members of the Corporation. The Resources Committee has responsibility for the oversight of all group resources including finances, estates, IT and People and Culture

Senior Postholder Remuneration Committee

This year, the Corporation agreed the establishment of a Senior Postholder (SPH) Remuneration Committee. This additional committee (meeting only annually, or as required) is intended to ensure that SPH matters are considered and independently and consistently. The Committee's responsibilities include making recommendations to the Board on the remuneration and benefits of the Accounting Officer, other SPHs including the Director of Governance.

As an adopter of the AOC Code of Good Governance, SHCG adopts the AOC's Senior Staff Remuneration Code (9) and provides annual reporting in line with its recommendations to the Autumn Committee meeting of the SPH Remuneration Committee.

Details of remuneration for the year ended 31 July 2025 are set out in note 9 to the financial statements.

Audit & Risk Committee

Audit & Risk Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair) and one co-opted member. The Committee operates in accordance with written terms of reference approved by the Corporation.

Audit & Risk Committee meets on a termly basis and provides a forum for reporting by SHCG's internal auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of management. The Committee also receives and considers reports from the main Further Education funding bodies as they affect SHCG's business.

SHCG'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 & Risk 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.

Audit & Risk Committee also advises the Corporation on the appointment of internal auditors, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Audit & Risk Committee met four times in the year to 31 July 2025. The members of the Committee and their attendance records are shown below:

Committee member	Meetings attended	% Attendance
Ian Harris	4 (of 4)	100%
Kerrie Clark (co-optee)	3 (of 4)	75%
Bernie Topham	1 (of 1)	100%
Hollie Swift	3 (of 4)	75%
Nick Cheaney	3 (of 4)	75%

Other Committees

SHCG delegates elements of oversight and decision making to other committees within its Governance structure. These include a Governance Committee (whose membership comprises all Committee Chairs) which considers governance, strategy and horizon-scanning as well as taking responsibility for the recruitment, appointment, and review of Corporation members. Finally, the Curriculum & Quality Committee has responsibility for the oversight of curriculum, attainment, attendance, and all related student matters including Safeguarding. Minutes of all committee meetings can be found on our website www.shcg.ac.uk

INTERNAL CONTROL

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of SHCG'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 Funding Agreement between SHCG and the funding bodies and Office for Students registration conditions. They are also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The College ensures that due consideration is given to the requirements of laws and regulations when determining policies, procedures and approval processes, including ensuring that appropriate systems and processes are in place to identify and handle transactions for which DfE or HM Treasury approval is required following the classification of colleges to the central government sector with effect from 29 November 2022.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of SHCG policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in SHCG for the year ended 31 July 2025 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which SHCG is exposed together with the operating, financial and compliance controls and arrangements for compliance with legal and regulatory matters including those relating to the regularity and propriety of use of public funding that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating, and managing SHCG's significant risks that has been in place for the period ending 31 July 2025 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

SHCG 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 SHCG 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 Corporation on the recommendation of Audit & Risk Committee. At minimum, annually, the internal audit provider gives the Corporation a report on internal audit activity. The report includes the provider's independent opinion on the adequacy and effectiveness of SHCG system of risk management, controls, and governance processes.

Risks faced by the Corporation

SHCG maintains a Board Assurance Framework (BAF) using '4Risk' software. The BAF enables risks to be monitored in real time, with mitigations and controls, initial risk scores are set and then calibrated after controls are in place. A Risk Management Group meet on a regular basis to assess and review the risk register. The Audit & Risk Committee and the Corporation review the BAF at each meeting.

SHCG also establishes a 'risk appetite' on an annual basis. Members of the Senior Leadership Team, the Audit & Risk Committee and Corporation score and agree a calibrated risk appetite statement based on current local and national environment. This risk appetite is used by members of SLT and other officers to assess and consider risk, their relative mitigations, and controls.

Control weaknesses identified

No significant internal control weaknesses or failures have arisen during the period 1 August 2024 to 31 July 2025.

Responsibilities under funding agreements

The Corporation takes its contractual responsibilities in relation to funding and contracts seriously. A 'regulatory returns' report presented to each Corporation meeting provides assurance that all filing requirements are met on a timely basis. All DfE/OfS and similar regulatory body correspondence is shared with the Corporation at each meeting.

Statement from the Audit & Risk Committee

Audit & Risk Committee has advised that the Corporation has an effective framework for governance and risk management in place. Audit & Risk Committee believes the Corporation has effective internal controls in place.

The specific areas of focus for internal audit in 2024/25 and up to the date of the approval of the financial statements are:

- Key Financial Controls; Financial Procedures
- Business Continuity
- IT Cyber Security
- Grant Management (non-core funding)
- Merger Benefits Realisation
- Student Records

Audit & Risk Committee continually monitored the audit plan and made minor adjustments to timing and order of reviews throughout the year as appropriate.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Their 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 who have responsibility for the development and maintenance of the internal control framework
- comments made by the financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors, in their management letters and other reports.

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

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior leadership team and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December meeting, the Corporation carried out the annual assessment for the year ended 31 July 2024 by considering documentation from the senior management team and internal audit.

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

Approved by order of the members of the Corporation on 10 December 2025 and signed on its behalf by:



Stephen Marston
Chair



Andrew Kaye
Accounting Officer

Statement of Regularity, Propriety and Compliance

As Accounting Officer of the corporation of South Hampshire College Group, I confirm that I have had due regard to the framework of authorities governing regularity, propriety and compliance, including the college's accountability agreement with DfE, and the requirements of the College Financial Handbook. I have also considered my responsibility to notify the corporation's board of governors and DfE of material irregularity, impropriety and non-compliance with terms and conditions of all funding.

I confirm that I, and the board of governors, are able to identify any material irregular or improper use of all funds by the corporation, or material non-compliance with the framework of authorities.

I confirm that no instances of material irregularity, impropriety or non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of governors and DfE.



Andrew Kaye
Accounting Officer

Date: 10 December 2025

South Hampshire College Group Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the college's accountability agreement, funding agreements and contracts with ESFA, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period.

Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, DfE's College Accounts Direction and the UK's Generally Accepted Accounting Practice. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate, and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that SHCG will continue in operation.

The Corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Corporation 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 maintenance and integrity of SHCG's website is the responsibility of the Corporation; 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 and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, DfE, and any other public funds, are used only in accordance with the accountability agreement, funding agreements and contracts and any other conditions, that may be prescribed from time to time by DfE, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the College Financial Handbook. On behalf of the corporation, the chair of the board of governors is responsible for discussing the accounting officer's statement of regularity, propriety and compliance with the accounting officer.

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 economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from DfE, ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 10 December 2025 and signed on its behalf by:

A handwritten signature in black ink that reads "Stephen Marston". The signature is written in a cursive style with a large initial 'S' and a long, sweeping underline.

Stephen Marston
Chair of Governors

Independent Auditor's report to the Corporation of South Hampshire College Group

Opinion

We have audited the financial statements of South Hampshire College Group and its subsidiary (collectively the 'Group') for the year ended 31 July 2025 which comprise the Group and College statement of comprehensive income and expenditure, the Group and College statement of changes in reserves and balance sheets, 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) and the College Accounts Direction 2024 to 2025 issued by the Department for Education (DfE).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and the College's affairs as at 31 July 2025 and of its financial performance and cash flows for the year then ended;
- have been prepared in accordance with UK Generally Accepted Accounting Practice, the Statement of Recommended Practice: Accounting for Further and Higher Education and the College Accounts Direction 2024 to 2025 issued by the DfE;
- In all material respects, funds from whatever source administered by the Group and the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England) and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of 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 and the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the members of the Corporation with respect to

going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members of the Corporation are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the College and its environment obtained in the course of the audit, we have not identified material misstatements in the annual report.

We have nothing to report in respect of the following matters in relation to which the Framework and guide for external auditors and reporting accountants of colleges issued by the DfE requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received.

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 2 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 on pages 23-24, the members of the Corporation are 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 members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Corporation are responsible for assessing the Group 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 members of the Corporation either intend to liquidate the Group and the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a

whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and the College through discussions with management, and from our knowledge and experience of the Further Education sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group and the College, including the College Accounts Direction 2024 to 2025 issued by the DfE, the Accounts Direction issued by the OfS, Further and Higher Education Act 1992, funding agreements with the DfE and associated funding rules, DfE regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group and the College's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the College's legal advisors (although none was noted as being received by the College).

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Corporation and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available 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.



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

Date: 18 December 2025

Buzzacott Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Independent Reporting Accountant's Report on Regularity

To: The Corporation of South Hampshire College Group and the Secretary of State for Education

In accordance with the terms of our engagement letter dated 24 June 2025 and further to the requirements of Department for Education (DfE) as included in the extant Framework and Guide for External Auditors and Reporting Accountants of Colleges, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by South Hampshire College Group and its subsidiary (collectively the 'Group') during the period 1 August 2024 to 31 July 2025 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

This report is made solely to the Corporation of South Hampshire College Group and the Secretary of State for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of South Hampshire College Group and the Secretary of State 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 South Hampshire College Group and the Secretary of State for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the Accounting Officer of South Hampshire College Group and the reporting accountant

The Accounting Officer is responsible, under the requirements of the Corporation's accountability agreement with the Secretary of State for Education and the College Financial Handbook, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament, and that 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 extant Framework and Guide for External Auditors and Reporting Accountants of Colleges. 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 2024 to 31 July 2025 have not been applied for the 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 Framework and Guide for External Auditors and Reporting Accountants of Colleges issued by DfE, which requires a limited assurance engagement, as set out in our engagement letter.

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2024 to 31 July 2025 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.



18 December 2025

Buzzacott Audit LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

South Hampshire College Group Consolidated and College Statement of Comprehensive Income & Expenditure for the year ended 31 July 2025

		2025		2024 (as restated)	
	Note	Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	47,573	47,573	56,477	56,477
Tuition fees and education contracts	3	2,649	2,649	3,437	3,437
Other grants and contracts	4	1,628	1,628	1,361	1,361
Other income	5	904	904	1,352	1,352
Investment income	7	451	451	638	639
Donations	8	1	1	4	4
Total Income		53,206	53,206	63,269	63,270
EXPENDITURE					
Staff costs	9	31,929	31,929	29,805	29,805
Restructuring costs	9	523	523	464	464
Other operating expenses	10	16,589	16,589	16,153	16,153
Depreciation	13	5,137	5,137	4,653	4,653
Interest and other finance costs	11	1	1	30	30
Total Expenditure		54,179	54,179	51,105	51,105
(Deficit)/ surplus before other gains and losses		(973)	(973)	12,164	12,165
(Loss) on disposal of assets		(151)	(151)	(2,579)	(2,579)
Impairment of fixed assets		(142)	(142)	(1,240)	(1,240)
(Deficit)/ surplus before tax		(1,266)	(1,266)	8,345	8,346
Taxation	12	-	-	-	-
(Deficit)/ surplus for the year		(1,266)	(1,266)	8,345	8,346
Remeasurement of defined benefit pension asset	19 & 25	(1,086)	(1,086)	(1,355)	(1,355)
Total Comprehensive Income for the year		(2,352)	(2,352)	6,990	6,991

The statement of comprehensive income is in respect of continuing activities.

Consolidated and College Balance Sheet as at 31 July 2025

		2025		2024	
	Note	Group £'000	College £'000	Group £'000	College £'000
Fixed assets					
Tangible assets	13	99,304	99,304	94,784	94,784
Investments	14	-	-	-	-
Total fixed assets		99,304	99,304	94,784	94,784
Current assets					
Trade and other receivables	15	3,182	3,182	2,738	2,738
Stock		9	9	6	6
Cash at bank and in hand		7,773	7,773	7,229	7,229
Total current assets		10,964	10,964	9,973	9,973
Less: Creditors amounts falling due within one year	16	(11,648)	(11,648)	(11,388)	(11,388)
Net current liabilities		(684)	(684)	(1,415)	(1,415)
Total assets less current liabilities		98,620	98,620	93,369	93,369
Creditors amounts falling due after more than one year	17	(55,072)	(55,072)	(47,097)	(47,097)
Provisions					
Enhanced Pensions	19	(1,516)	(1,516)	(1,668)	(1,668)
Other provisions	19	-	-	(220)	(220)
Total net assets		42,032	42,032	44,384	44,384
Unrestricted reserves					
Income and expenditure account		31,744	31,744	33,587	33,587
Revaluation reserve		10,288	10,288	10,797	10,797
Total unrestricted reserves		42,032	42,032	44,384	44,384

The financial statements on pages 31 to 57 were approved and authorised for issue by the Corporation on 10 December 2025 and were signed on its behalf on that date by:


Andrew Kaye
Accounting Officer


Stephen Marston
Chair of Governors

Consolidated and College Statement of Changes in Reserves as at 31 July 2025

	I & E Account	Revaluation reserve	Total
	£'000s	£'000s	£'000s
Group			
Balance at 1 August 2023	26,242	11,152	37,394
Surplus from the income and expenditure account	8,345	-	8,345
Other comprehensive income (as restated)	(1,355)	-	(1,355)
Transfers between revaluation and income and expenditure reserves	355	(355)	-
Total comprehensive income for the year	7,345	(355)	6,990
Balance at 1 August 2024	33,587	10,797	44,384
Surplus from the income and expenditure account	(1,266)	-	(1,266)
Other comprehensive income	(1,086)	-	(1,086)
Transfers between revaluation and income and expenditure reserves	509	(509)	-
Total comprehensive income for the year	(1,843)	(355)	(2,352)
Balance at 31 July 2025	31,744	10,288	42,032
College			
Balance at 1 August 2023	26,242	11,152	37,394
Surplus from the income and expenditure account	8,345	-	8,345
Other comprehensive income (as restated)	(1,355)	-	(1,355)
Transfers between revaluation and income and expenditure reserves	355	(355)	-
Total comprehensive income for the year	7,345	(355)	6,991
Balance at 1 August 2024	33,587	10,797	44,384
(Deficit) from the income and expenditure account	(1,266)	-	(1,266)
Other comprehensive income	(1,086)	-	(1,086)
Transfers between revaluation and income and expenditure reserves	509	(509)	-
Total comprehensive income for the year	(1,843)	(509)	(2,352)
Balance at 31 July 2025	31,744	10,288	42,032

Consolidated Statement of Cash Flows for the year end 31 July 2025

	2025	2024
	£'000	(as restated) £'000
Cash flow from operating activities		
(Deficit)/ surplus for the year	(1,266)	8,343
Adjustment for non-cash items		
Depreciation and impairment	5,279	4,680
Def capital grants released to income	(2,991)	(2,200)
(Increase) in stock	(3)	-
(Increase)/ decrease in debtors	(443)	103
(Decrease) in creditors due within one year	(1,679)	(4,824)
Increase in creditors due more than one year	-	2,510
Increase in provisions	-	104
Pensions costs less contributions payable	(1,119)	(1,352)
Adjustment for investing or financing activities		
Investment income	-	(1)
Interest receivable	(211)	(588)
Interest payable	1	110
Loss on sale of fixed assets	276	3,819
Net cash flow from operating activities	(2,156)	10,703
Cash flows from investing activities		
Proceeds from sale of fixed assets	18	4
Investment income	-	1
Interest receivable	211	588
Capital grants received	11,768	5,065
Payments made to acquire fixed assets	(9,234)	(5,590)
	2,763	67
Cash flows from financing activities		
Interest paid	-	(30)
Repayments of amounts borrowed	-	(9,862)
Repayments of obligations under finance leases	(62)	(111)
	(62)	(10,003)
Increase in cash and cash equivalents in the year	544	768
Cash and cash equivalents at beginning of the year	20	6,460
Cash and cash equivalents at end of the year	20	7,229

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

1. Accounting Policies

Statement of accounting policies and estimation techniques

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

General Information

South Hampshire College Group is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of SHCG's principal place of business is given on page 3. The nature of SHCG's operations is set out in the Strategic Report.

Merger Between Fareham College, Eastleigh College and Southampton City College.

Fareham College, Eastleigh College and Southampton City College merged on 1 August 2023. Eastleigh College and Southampton City College dissolved as legal entities at midnight 31 July 2023 and thereon transferred all assets and liabilities to Fareham College to form the newly merged South Hampshire College Group. The combination is considered to meet the definition of a merger under FRS 102 and so merger accounting was applied for the year ended 31 July 2024.

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 2024 to 2025, the Regularity Advice 9: Accounts Direction issued by Office for Students and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). SHCG 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 SHCG's accounting policies.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The financial statements are presented in sterling which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest £1,000, except where otherwise indicated.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102).

Basis of Consolidation

The consolidated financial statements include its subsidiary, SHCG Ltd, controlled by SHCG. Control is achieved where SHCG has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated using the purchase method for the periods from or to the date that control passes. In accordance with FRS 102, the activities of the student union have not been consolidated because SHCG does not control those activities. All financial statements are made up to 31 July 2025. All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

Going concern

In the two years post-merger (2023/24 and 2024/25) SHCG's cumulative educational EBITDA is (£1,196k), £3,239k better than the financial plan that underpinned the merger assumed.

Our results for 2024/25 mean we remain with a DfE Financial Health Score of Requires Improvement (160 points out of 300) exactly as planned in the merger financial plan.

The CFFR we submitted to the DfE in July 2025, forecasts Educational EBITDA of £1.6m for both 2025/26 and 2026/27, resulting in Good financial health.

As a result of our strong financial and operational performance, we have exited the DfE/FE Commissioner Post Intervention and Monitoring Support (PIMS) process earlier than planned.

In 2025/26:

- Our full-time, 16-18 recruitment is currently 4,275 compared to an allocation of 4,243.
- Our T-Level recruitment (487) is less than allocation (514), but a larger clawback has already been factored into the budget.
- Our apprenticeship starts for the first quarter are on budget.
- Our staff cost budget assumed we would need to make in-year savings of £650k and we have already exceeded this target by £200k and have firm plans in place to achieve further savings.
- Our budget includes contingencies of c. £1m.

The management team review financial performance via monthly management accounts (which includes a cashflow forecast) which are discussed at Resources Committee and shared with the whole Corporation.

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

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 measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for Adult Skills Funding is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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 SHCG is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

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 method as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when SHCG is entitled to the funds subject to any performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Apprenticeship income

Income from the delivery of apprenticeships is recognised in the period in which it is earned, with 20% withheld until successful completion of the apprenticeship.

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

Post-employment benefits to employees 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 and contracted out of the State Second Pension.

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 SHCG 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.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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.

Hampshire Local Government Pension Scheme (LGPS)

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

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

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

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

The LGPS assets are managed by the scheme trustees at scheme level, and the determination / allocation of assets to each individual employer in the scheme is managed by the scheme actuary. The assets are allocated to each employer for accounting purposes based on the valuation of the assets at the latest triennial valuation as adjusted for subsequent contributions received from the employer, asset returns and benefit payments made (either on a cash basis or actuarial basis).

The retirement benefit obligation recognised represents the deficit or surplus in the defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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 SHCG. Any unused benefits relating to support staff are accrued and measured as the additional amount SHCG 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 SHCG 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 SHCG's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the DfE.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The subsidiary company does not hold any fixed assets and a resolution has been made to enter dormancy.

Certain items of fixed assets that had been revalued to fair value on or prior to the date of transaction to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount of the date of that revaluation.

Land and buildings

No depreciation is provided on freehold land. Freehold buildings are depreciated over their expected useful economic life to SHCG of 50 years. SHCG has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years. SHCG has an ageing campus and will exercise judgement on the useful life of any building adaptations where it is not deemed appropriate to depreciate the asset between 20 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated in accordance with the above policies. The related grants are credited to a deferred capital

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

grant account and released to the Statement of Comprehensive Income in equal annual instalments over the expected useful economic life of the assets on a basis consistent with the depreciation policy.

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.

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 after initial purchase it is charged to income in the period it is incurred.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Depreciation is provided evenly on the cost or valuation of other assets to write them down to their estimated residual values over their expected useful lives as follows:

- Motor vehicles and general equipment - straight line over 5 years
- Furniture, fixtures and fittings - straight line over 5 -15 years
- Computer equipment and software - straight line over 3 years

Where equipment is acquired with the aid of specific grants, they are capitalised and depreciated in accordance with the above policies. The related grants are credited to a deferred capital grant account and released to the Statement of Comprehensive Income in equal annual instalments over the expected useful economic life of the assets on a basis consistent with the depreciation policy.

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, otherwise, 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.

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. 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.

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

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 SHCG 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 SHCG has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

SHCG 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, SHCG 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.

SHCG is partially exempt in respect of Value Added Tax, so that it can only recover a proportion 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.

Provisions and contingent liabilities

Provisions are recognised when

- SHCG 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 SHCG a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within SHCG's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Agency arrangements

SHCG acts as an agent in distributing bursary support funds from the DfE. Payments received from the DfE and subsequent disbursements to students are excluded from the Statement of Comprehensive Income where SHCG does not have control of the economic benefit related to the transaction.

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 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 SHCG tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine the existence of a minimum funding requirement for the LGPS to be included in the asset ceiling in measuring and recognising a surplus in the scheme. This judgement is based on an assessment of the nature of the scheme as a statutory scheme and its inherent implied continuance as well as the operation of the primary and secondary contributions.

Other key sources of estimation uncertainty

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives considering 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 considered. 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 LGPS 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 25, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 to value the pensions liability at 31 July 2025. 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.

Restatement

The comparative figures for both the Group and the College have been updated to correctly reflect the movement in staff costs, interest costs and actuarial gain (loss) on the LGPS pension scheme. The net assets at 31 July 2024 remain unchanged as a result.

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

2. Funding Body Grants

	Group £'000	2025 College £'000	Group £'000	2024 College £'000
Recurrent grants				
Education & Skills Funding Agency – Adult Education budget	6,026	6,026	5,678	5,678
Education & Skills Funding Agency – 16-18	29,117	29,117	25,849	25,849
Education and Skills Funding Agency - apprenticeships	6,017	6,017	6,420	6,420
Grant income from the Office for Students	140	140	176	176
Specific grants				
Teacher Pension Scheme Contribution Grant	1,696	1,696	1,253	1,253
Releases of government capital grants	2,991	2,991	2,200	2,200
ESFA Other Grants	-	-	403	403
Exceptional government grant income	1,586	1,586	14,498	14,498
Total	47,573	47,573	56,477	56,477

3. Tuition Fees and Education Contracts

	2025		2024 (as restated)	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	1,509	1,509	819	819
Apprenticeship contracts	31	31	353	353
Fees for FE loan supported courses	343	343	1,134	1,134
Fees for HE loan supported courses	203	203	538	538
Total tuition fees	2,086	2,086	2,844	2,844
Education contracts	563	563	593	593
Total	2,649	2,649	3,437	3,437

4. Other Grants and Contracts

	2025		2024 (as restated)	
	Group £'000	College £'000	Group £'000	College £'000
Other grants and contracts	564	564	233	233
Local Authority Grants	1,064	1,064	1,128	1,128
Total	1,628	1,628	1,361	1,361

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

5. Other Income

	2025		2024	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	233	233	412	412
Other income generating activities	187	187	237	237
Lease income	136	136	509	509
Miscellaneous income	348	348	194	194
Total	904	904	1,352	1,352

6. Office for Students income (included within disclosures above)

	2025		2024	
	Group £'000	College £'000	Group £'000	College £'000
Grant income from the Office for Students	140	140	176	176
Total	140	140	176	176

7. Investment Income

	2025		2024 (as restated)	
	Group £'000	College £'000	Group £'000	College £'000
Other Interest Receivable	211	211	588	588
Net interest on defined pension liability (Note 25) & enhanced pension provision	240	240	50	50
Surplus recorded by Eastleigh College Limited	-	-	-	1
Total	451	451	638	639

8. Donations

	2025		2024	
	Group £'000	College £'000	Group £'000	College £'000
Unrestricted Donations	1	1	4	4
Total	1	1	4	4

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

9. Staff Costs – Group and College

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

	2025 No.	2024 (as restated) No.
Teaching Staff	401	389
Non-Teaching Staff	394	402
	<u>795</u>	<u>791</u>

Staff Costs for the above persons

	2025 £'000	2024 (as restated) £'000
Wages and Salaries	23,534	21,338
Social Security Costs	2,539	2,063
Other pension costs (including FRS102 adjustments of a credit £797k (2024: a credit of £1,225k))	5,151	4,379
Payroll sub total	31,224	27,780
Contracted out staffing services	705	2,025
	31,929	29,805
Restructuring costs - Contractual	523	464
- Non-contractual	-	-
Total Staff Costs	32,452	30,269

The number of staff receiving redundancy payments as a result of the restructuring in the following ranges was:

	2025	2024
£0 to £5,000	2	9
£5,001 to £10,000	2	7
£10,001 to £15,000	1	7
£15,001 to £20,000	3	2
£20,001 to £25,000	2	2
£25,001 to £30,000	1	3
£30,001 to £35,000	1	2
£35,001 to £40,000	1	-
£40,001 to £45,000	3	-
£50,001 to £55,000	-	1
£65,001 to £70,000	1	-
£90,001 to £95,000	1	-
	<u>18</u>	<u>33</u>

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of SHCG. During the year-ended 31 July 2025, the Group Leadership Team comprised the CEO, Deputy CEO/ Group Principal, Deputy CEO – People & Resources, Chief Finance Officer, Executive Director of Business & Civic Partnerships, the 3 College Principals, Director of Safeguarding, Group Director of IT, Group Director of Estates & Facilities, Group Director of Finance, Procurement and Student Financial Services, Group Director of MIS, Assistant Principal of Quality & Student Experience, Director of Apprenticeships, Director of Adults, HE, Online & Commercial, Director of Marketing, Careers & Communications and Director of Human Resources, Payroll & Recruitment.

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

	2025	2024
The number of key management personnel including the Accounting Officer was:	20	18

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

	Senior Post Holder		Other Key Management Personnel	
	2025	2024	2025	2024
£50,001 to £55,000	-	-	-	1
£55,001 to £60,000	-	-	1	2
£60,001 to £65,000	-	-	4	4
£65,001 to £70,000	-	-	3	2
£70,001 to £75,000	-	-	2	1
£75,001 to £80,000	-	-	-	1
£80,001 to £85,000	-	-	2	1
£85,001 to £90,000	-	-	1	1
£90,001 to £95,000	-	2	-	1
£100,001 to £105,000	2	-	-	-
£130,001 to £135,000	1	-	-	-
£155,001 to £160,000	-	1	-	-
£170,001 to £175,000	1	-	-	1
	4	3	13	15

The interim finance director was employed through an agency and not on SHCG's payroll; therefore not included in the above table in 2024.

Three further individuals employed by the College would on a FTE basis receive emoluments within the following bandings if they had been employed on a 100% FTE basis for the full year:

£60,001 to £65,000 - 1
£65,001 to £70,000 - 1
£80,001 to £85,000 - 1

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

Key management personnel compensation is made up as follows:

	2025 £'000	2024 £'000
Basic Salary	1,488	1,317
Benefits in kind	1	-
National Insurance	191	161
Pension Contributions	350	310
Total	2,030	1,788

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

The above compensation includes amounts paid to the Principal and Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration are as follows:

	2025 £'000	2024 £'000
Basic Salary	171	158
Benefits in kind	-	-
National Insurance	23	21
Pension Contributions	49	40
Total	243	219

The remuneration package of the Accounting Officer and Senior Post Holders are subject to annual review by the Senior Postholders Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. SHCG has adopted the AOC's Colleges Senior Staff Remuneration Code and has followed the requirements of the code.

The performance of the Accounting Officer, Senior Post Holders and Key Management Personnel is undertaken throughout the year following the SHCG's performance development programme in order to meet SHCG's strategic objectives.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2025	2024
Principal and CEO's basic salary as a multiple of the median of all staff	6.18	5.86
Principal and CEO's total remuneration as a multiple of the median of all staff	6.46	6.08

The above calculations are based on the basic salary and total remuneration of the principal in comparison to all staff employed by the College at the year end date. This does not include those the pay or remuneration of agency workers, who have been excluded from this calculation. Where employees are not employed on a Full Time basis, no adjustments have been made to their FTE in determining the median employee salary or remuneration.

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.

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

10. Other operating expenses – Group and College

	2025 £'000	2024 £'000
Teaching costs	3,859	3,922
Non-teaching costs	4,865	5,320
Examination Costs	1,889	1,484
Premises costs	5,976	5,427
Total	16,589	16,153

Other operating expenses include:

	2025 £'000	2024 £'000
Auditor's Remuneration:		
Financial Statements Audit – current year	65	96
Financial Statements Audit – prior year under accrual	35	-
Teacher Pensions Audit	10	5
Internal Audit	50	15
Operating Lease payments	159	167
Subcontractor payments	1,666	1,526
Losses on disposal of tangible fixed assets	151	2,579

11. Interest and other finance costs – Group and College

	2025 £'000	2024 £'000
On bank loans, overdrafts and other loans:	-	30
	-	30
On Finance Leases	1	-
Total	1	30

12. Taxation – Group and College

The members do not believe that SHCG was liable for any corporation tax arising out of its activities during either year.

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

13. Tangible Fixed Assets – Group and College

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
As at 1 August 2024	120,695	10	25,875	1,555	148,135
Additions	2,846	-	3,148	3,982	9,976
Transfers from Assets in Construction	866	-	569	(1,435)	-
Disposals	(1,690)	(10)	(582)	-	(2,282)
As at 31 July 2025	122,717	-	29,010	4,102	155,829
Depreciation					
As at 1 August 2024	36,272	10	17,066	-	53,348
Charge for the year	2,596	-	2,569	-	5,165
Eliminations in respect of disposals	(1,406)	(10)	(572)	-	(1,988)
As at 31 July 2025	37,462	-	19,063	-	56,525
Net book value as at 31 July 2025	85,255	-	9,947	4,102	99,304
Net book value as at 31 July 2024	84,421	-	8,810	1,555	94,786

The net book value of equipment includes an amount of £nil (2024: £32,760) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £nil (2024: £53,234).

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

14. Non-current investments

	College 2025 £	College 2024 £
Investment in subsidiary company at cost	100	100
Total	100	100

The Group owns 100% of the issued ordinary £1 shares of South Hampshire College Group Limited, a company incorporated in England and Wales. This company is dormant.

15. Trade and other receivables

	Group £'000	2025 College £'000	Group £'000	2024 College £'000
Amounts falling due within one year:				
Trade receivables	628	628	218	218
Other receivables	152	152	-	-
Prepayments and accrued income	2,402	2,402	1,870	1,870
Amounts owed by the DfE	-	-	650	650
Total	3,182	3,182	2,738	2,738

16. Creditors: amounts falling due within one year

	Group £'000	2025 College £'000	Group £'000	2024 College £'000
Obligations under finance leases	-	-	62	62
Trade payables	3,641	3,641	2,329	2,329
Payments received in advance	228	228	3,201	3,201
Other creditors	769	769	582	582
Holiday pay accrual	744	744	280	280
Pension creditor	588	588	616	616
Other taxation and social security	617	617	502	502
Accruals and deferred income	1,258	1,258	1,004	1,004
Deferred income – government capital grants	3,163	3,163	2,368	2,368
Amounts owed to the DfE	640	640	444	444
Total	11,648	11,648	11,388	11,388

17. Creditors: amounts falling due after one year

	Group £'000	2025 College £'000	Group £'000	2024 College £'000
Obligations under finance leases	-	-	4	4
Deferred income – Government capital grants	51,362	51,362	43,383	43,383
Other creditors (deficit funding)	3,710	3,710	3,710	3,710
Total	55,072	55,072	47,097	47,097

Deficit funding was drawn down in 2024. The College's cash days have not reduced to a level which would allow the deficit funding to be utilised, therefore it is held on the balance sheet as a creditor due outside one year with the expectation that repayment will be required in 2027.

18. Maturity of debt

The net finance lease obligations to which the institution is committed are:

	2025 £'000	2024 £'000
(a) Finance Leases		
In one year or less	-	62
Between two and five years	-	4
In five years or more	-	-
Total	-	66

Finance lease obligations are secured on the assets to which they relate.

19. Provisions

	College and Group			
	Defined benefit obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2024	-	1,668	220	1,888
Expenditure in the period	-	-	(220)	(220)
Interest cost	-	80	-	80
Staff cost	-	(200)	-	(200)
Actuarial gain over year recognised in Statement of Comprehensive Income	-	(32)	-	(32)
As at 31 July 2025	-	1,516	-	1,516

Defined benefit obligations relate to the liabilities under SHCG's membership of the LGPS. Further details are given in Note 25.

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

The principal assumptions for this calculation are:

	2025	2024
Price inflation	2.7%	2.8%
Discount rate	5.5%	4.8%

20. Analysis of changes in net debt

	As at 1 August 2024	Cash flows	Other non-cash Changes	As at 31 July 2025
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	7,229	544	-	7,773
	7,229	544	-	7,773
Borrowings				
Finance Leases due within one year	(62)	62	-	-
Finance Leases due after one year	(4)	4	-	-
	(66)	66	-	-
Total	7,163	610	-	7,773

Included within cash balances are grant funding balances restricted for capital purposes of £3.15m. These balances can be applied by the College against capital and estates expenditure in future accounting periods.

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

21. Capital commitments

	2025 £'000	2024 £'000
Commitments contracted as at 31 July	<u>1,246</u>	<u>2,754</u>

22. Lease obligations – group and college

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

	2025 £'000	2024 £'000
Future minimum lease payments due		
Other (non-land and buildings)		
In one year or less	145	162
Between two and five years	139	284
In five years or more	-	-
Total lease payments due	<u>284</u>	<u>446</u>

23. Contingent Liabilities

There are no contingent liabilities at the reporting date (2024: none).

24. Events after the reporting period

On 31 October 2025, SHCG completed on the sale of the Marine Skills Centre, Woolston, Southampton. This was a planned sale in line with the merger plan to reduce down the size of the estate at Southampton. The curriculum provision that was being carried out in this building has been transferred to a building on the main Southampton campus. The Marine Skills Centre was fully impaired in the previous year's financial statements.

25. Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS is as at 31 March 2020 and of the LGPS is as at 31 March 2022.

	2025 £'000	2024 £'000
Teachers' Pension Scheme: contributions paid	3,115	2,823
Local Government Pension Scheme:		
Contributions paid	2,873	2,696
FRS 102 (28) credit	(917)	(1,225)
Charge to the Statement of Comprehensive Income	1,956	1,471
Enhanced pension charge to Statement of Comprehensive Income	80	85
Total pension cost for the year	5,151	4,379

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. SHCG is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, SHCG 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. SHCG has set out above the information available on the plan and the implications 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 2020. The valuation report was published by the Department for Education in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion (31 March 2016: £218 billion), and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222.2 billion (31 March 2016: £198 billion) giving a notional past service deficit of £39.8 billion (31 March 2016: £22 billion).

As a result of the valuation, new employer contribution rates were set at 28.68% of pensionable pay from April 2024 onwards (compared to 23.68% during 2023/24). The DfE agreed to pay a teachers' pension employer contribution grant to cover the additional costs during the 2024/25 academic year, which will continue to be received through the 2025/26 academic year.

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

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 £4,210k (2024: £2,822k). The year-end creditor was £386k (2024: £266k).

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 2025 was £3,423k, of which employer's contributions totalled £2,873k and employees' contributions totalled £550k. The contribution rates for future years are 18.7% (wef 1 Apr 25) for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2025 by a qualified independent actuary.

	As at 31 July 2025	As at 31 July 2024
Rate of increase in salaries	3.75%	3.75%
Future pensions increase (CPI)	2.75%	2.75%
Discount rate for scheme liabilities	5.80%	5.00%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations at retirement age 65 are:

	As at 31 July 2025 Years	As at 31 July 2024 Years
<i>Retiring today</i>		
Males	22.3	22.0
Females	24.8	24.7
<i>Retiring in 20 years</i>		
Males	22.7	22.5
Females	25.7	25.6

SHCG's share of the assets in the plan and the expected rates of return were:

	Fair Value at 31 July 2025 £'000	Fair Value at 31 July 2024 £'000
Equities	42,672	40,181
Bonds	26,867	27,031
Property	7,112	5,114
Cash	2,371	731
Total market value of assets	79,022	73,057

The amount included in the balance sheet in respect of the defined benefit pension plan and enhanced

SOUTH HAMPSHIRE COLLEGE GROUP NOTES TO THE ACCOUNTS

pensions benefits is as follows:

	Fair Value at 31 July 2025 £'000	Fair Value at 31 July 2024 £'000
Fair value of plan assets	79,022	73,057
Present value of plan liabilities	(60,319)	(67,000)
Restriction to level of asset ceiling	(18,703)	(6,057)
Net pensions asset/(liability) (Note 19)	-	-

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

	2025 £'000	2024 £'000
Amounts included in staff costs		
Current service cost	1,530	1,411
Past service cost	546	60
Total	2,076	1,471

Amounts included in investment income		
Interest income	3,677	3,388
Interest expense on defined benefit obligation	(3,355)	(3,258)
Total	322	130

Amounts recognised in Other Comprehensive Income		
Returns/ (losses) on pension plan assets	1,200	2,101
Experience gains/ (losses) arising on defined benefit obligations	(10,327)	631
Total	(9,127)	2,732

Movement in net defined benefit (liability) in year		
	2025 £'000	2024 £'000
Net defined benefit (liability) in scheme at 1 August	6,057	1,970
Movement in year:		
Current service cost	(1,530)	(1,411)
Employer contributions	2,873	2,696
Past service cost	(5,46)	(60)
Net interest on the defined benefit (liability)/ asset	322	130
Actuarial gain	11,527	2,732
Restriction to level of asset ceiling	(18,703)	(6,057)
Net defined benefit (liability) in scheme at 31 July	-	-

The value of SHCG's share of net assets has been restricted due to the effect of the asset ceiling being the maximum value of the present of the economic benefits available in the form of the unconditional right to reduced contributions from the plan. A corresponding charge has been made to other comprehensive income in the period.

Asset and liability reconciliation

	2025	2024
	£'000	£'000
Changes in the present value of defined benefit obligation		
Defined benefit obligation at start of period	67,000	64,638
Current Service cost	2,076	1,471
Interest cost	3,355	3,258
Contributions by Scheme participants	550	502
Experience gains on defined benefit obligations	(10,327)	(631)
Estimated benefits paid	(2,335)	(2,238)
Defined benefit obligation at end of period	60,319	67,000
	2025	2024
	£'000	£'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	73,057	66,608
Interest on plan assets	3,677	3,388
Actuarial gain / (loss)	1,200	2,101
Employer contributions	2,873	2,696
Contributions by scheme participants	550	502
Estimated benefits paid	(2,335)	(2,238)
Fair value of plan assets at end of period	79,022	73,057

SHCG is aware that the Court of Appeal has recently upheld the decision in the Virgin Media vs NTL pension Trustees II Limited case. The decision puts into question the validity of any amendments made in respect of the rules of a contracted-out pension scheme between 5 April 1997 and 5 April 2016. The judgement means that some historic amendments affecting s.9(2B) rights could be void if the necessary actuarial confirmation under s.37 of the Pension Schemes Act 1993 was not obtained. Until further investigations have been completed by the UK Government's Actuary's Department and/or any legislative actions taken by the government, the potential impact if any, on the valuation of scheme liabilities remains unknown.

26. Related party transactions

Due to the nature of SHCG's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with SHCG's financial regulations and normal procurement procedures.

There were no related party transactions during the year (2024: £nil). There were no expenses paid to the Governors during the year (2024: £nil). Indemnity insurance is paid on behalf of the board as part of a combined group wide policy.

No Governor has received any remuneration or waived payments from SHCG or its subsidiary during the year (2024: none).

27. Amounts disbursed as agent

	2025 £'000	2024 £'000
16-18 bursary grants	846	1,022
Other Funding body grants	-	-
Interest earned	-	-
	<hr/> 846	<hr/> 1,022
Disbursed to students	(226)	(862)
Administration costs	(37)	(44)
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	<hr/> 583	<hr/> 116

The college distributes 16-19 discretionary and vulnerable bursaries and free meals in further education (FEFM) funds to students as an agent for DfE.

In the accounting period ended 31 July 2025, the college received a total of £846k and disbursed £226k from DfE 16-19 discretionary and vulnerable bursaries and FEFM funding after charging £37k for administration costs.

As at 31 July 2025, the cumulative unspent 16-19 discretionary and vulnerable bursary funds and FEFM funding is £583k, of which £45k relates to funds that are in scope to be returned to DfE in March 2026. Comparatives for the accounting period ended 31 July 2024 are £1,022k received from DfE, £862k disbursed to learners after charging £44k for administration costs, and total cumulative unspent funds of £116k, of which £42k was repaid to DfE.

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